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(FORM UPDATED: 08/11/2010)

# WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

## 2005-06

(session year)

## Assembly

(Assembly, Senate or Joint)

## Committee on Colleges and Universities...

### COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

### INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Stefanie Rose (LRB) (November 2012)

## Assembly

### Record of Committee Proceedings

#### **Committee on Colleges and Universities**

##### **Assembly Bill 297**

Relating to: an education tax credit for businesses.

By Representatives Jensen, Rhoades, LeMahieu, Ballweg, Lamb, Vos, F. Lasee, Nass, Moulton, Petrowski, Shilling, Gard, Vrakas, Strachota, J. Fitzgerald, Hines, Nerison, Seidel, Kleefisch, Nischke, Ward, Jeskewitz, Townsend, Pettis, Bies, Hahn, Ainsworth, Musser, Davis, Suder, Kreibich, Mursau and Pridemore; cosponsored by Senators Darling, Olsen, Harsdorf, Leibham, Stepp, Brown and Kanavas.

April 05, 2005                  Referred to Committee on Colleges and Universities.

May 31, 2005

##### **PUBLIC HEARING HELD**

Present:     (10)   Representatives Kreibich, Underheim, Nass, Jeskewitz, Towns, Lamb, Shilling, Black, Boyle, Molepske.

Absent:      (2)    Representatives Ballweg and Schneider.

##### Appearances For

- Scott Jensen — Rep., State Representative
- Rolf Wegenke — President, Wisconsin Assoc. of Independent Colleges
- David Dies — Ed. Approval Board
- Margaret Lewis, Madison — UW System
- Charles Taylor — Herzing College
- Tony Driessen, Milwaukee — Quarles & Brady

##### Appearances Against

- None.

##### Appearances for Information Only

- Moena Foy, Madison — Wi Tech College System

##### Registrations For

- Pete Pavone, Milwaukee — 310 W. Wisconsin Ave Suite 500 E.
- Donald Clauser, Brookfield — Dr., Ottawa University
- Joe Leibham, Madison — Sen., State Senate
- Chris Huff, Brookfield — University of Phoenix
- Don Nelson — UW-Madison

Registrations Against

- None.

September 6, 2005

**EXECUTIVE SESSION HELD**

Present: (9) Representatives Kreibich, Underheim, Nass, Jeskewitz, Towns, Lamb, Schneider, Black and Molepske.

Absent: (3) Representatives Ballweg, Shilling and Boyle.

Moved by Representative Underheim, seconded by Representative Lamb that **Assembly Bill 297** be recommended for passage.

Ayes: (6) Representatives Kreibich, Underheim, Nass, Jeskewitz, Towns and Lamb.

Noes: (3) Representatives Schneider, Black and Molepske.

Absent: (3) Representatives Ballweg, Shilling and Boyle.

PASSAGE RECOMMENDED, Ayes 6, Noes 3

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Brad Hub  
Committee Clerk

## Vote Record

### Committee on Colleges and Universities

Date: 6 Sept 2005

Bill Number: AB 297

Moved by: Gregg Underheim

Seconded by: Levin

Motion: \_\_\_\_\_

<u>Committee Member</u>		<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Rob Kreibich, Chair	X	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Joan Ballweg		<input type="checkbox"/>	<input checked="" type="checkbox"/>	X <input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Gregg Underheim	X	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Stephen Nass	X	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Suzanne Jeskewitz		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Debra Towns	X	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Lamb	X	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jennifer Shilling		<input type="checkbox"/>	<input type="checkbox"/>	X <input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Marlin Schneider	X	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Spencer Black	X	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Boyle		<input type="checkbox"/>	<input checked="" type="checkbox"/>	X <input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	X	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Totals:</b>		<u>6</u>	<u>3</u>	<u>3</u>	_____

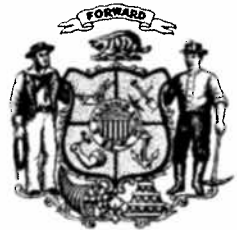
Motion Carried

Motion Failed





# WISCONSIN STATE LEGISLATURE





STATE OF WISCONSIN  
EDUCATIONAL APPROVAL BOARD

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**ASSEMBLY BILL 297**  
EDUCATION TAX CREDIT

TESTIMONY  
by David C. Dies, Executive Secretary  
Educational Approval Board

Committee on College and Universities

May 31, 2005

Good morning. Mr. Chairman and members of the committee, my name is David Dies and I am the executive secretary for the state's Educational Approval Board.

For those of you who may be unfamiliar with the EAB, it is an independent state agency responsible for protecting Wisconsin students by regulating for-profit colleges and schools; out-of-state, non-profit colleges and universities; and in-state, non-profit institutions incorporated after 1991.

We currently oversee 137 institutions serving more than 30,000 adults annually in 600 or so degree and non-degree programs. When asked, I tend to say we regulate everything from pet grooming to Ph.D.s. Some examples of the schools we regulate include: IT, truck driving, massage therapy; Herzing College and Phoenix University; Upper Iowa University and Robert Welch University.

My purpose for being here today is to express support for AB 297. Of the 137 institutions we approve, 40 are accredited degree-granting colleges or universities. Under the bill, 21 of these 40 colleges and universities would meet the definition of a qualified postsecondary institution, which means they are schools approved by the EAB and the delivery of education occurs in the state of Wisconsin.

The EAB is statutorily responsible for protecting students. One way in which we do this is by regulating institutions that serve students. However, the other way in which we protect students is by advocating for public policy that supports student choice and enhanced opportunities.

In fact, the strategic plan adopted by the board specifically includes a strategic goal of enhancing the educational choices for students. Assembly Bill 297 does this by allowing students to pursue their education at any qualified postsecondary institution, including those degree-granting institutions approved by the EAB and in which the delivery of education occurs in the state.

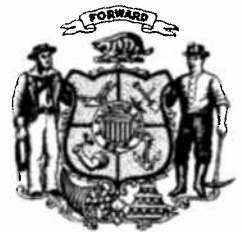
Based on the demographic profile of students who attend EAB-approved schools, this proposal will be particularly beneficial for working adults who are attending such institutions as Upper Iowa University, Herzing College, the University of Phoenix, Aurora University, Madison Media Institute, Bryant & Stratton College, ITT Technical Institute, Capella University and Walden University.

I would be happy to answer any questions you may have.





# WISCONSIN STATE LEGISLATURE



**Testimony For AB 297**  
**Before Assembly Colleges & Universities Committee**  
**May 31, 2005**  
**Margaret Lewis, Associate Vice President for Government Relations**

Chairman Kreibich, committee members, I am Margaret Lewis, representing the University of Wisconsin System.

I am here today to support AB 297 for two reasons: (1) More financial aid is needed to assist low income students, and (2) more assistance is needed to help adults already in Wisconsin to advance their skills to increase their income, and grow the Wisconsin economy.

Last summer the Board of Regents completed a year long study to address the future needs of higher education in the state. On page 15 of the report, *Charting a New Course for the UW System*, the Board notes that Wisconsin must increase student financial aid to ensure access for students of all income levels, including a "hold harmless" program that would provide students from the lowest income level with grants to cover the costs of tuition increases." Some of this financial aid will come from state grants, more is needed. This bill can help leverage those additional resources.

Access to education is fundamental to Wisconsin's future prosperity. Future economic growth and vitality depend on an educated workforce. Today, 70 percent of "new economy" jobs require a college degree. Our goal is for all qualified students to be able to enter the UW System.

Financial aid is the key to providing access for those who cannot otherwise afford higher education. Lack of access will perpetuate the cycle of poverty for Wisconsin's poorest students and their families.

We find a disturbing trend: fewer and fewer low-income students in Wisconsin are enrolling in UW institutions. Specifically, 37 percent of new UW freshmen from the lowest-two family income quintiles enrolled in 1992. Ten years later that measure was 30 percent. Over this period, Wisconsin has moved from a low-tuition/low aid philosophy to an average-tuition/uncertain-aid reality.

In this environment, declining low and moderate-income access must be reversed by providing adequate financial aid to ensure access to students from all income groups.

AB 297, by offering a larger tax credit to businesses who invest in their low income employees' education leverages private funds to provide "financial aid" for needy students and this aid is targeted to non-traditional students.

Thank you for your support of this and other financial aid included in the Governor's budget.

## SECTION FIVE

# State Help Needed: Recommendations and Benefits

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### **12. Wisconsin must stabilize state GPR support for higher education.**

All potential revenue streams were reviewed, seeking alternatives to replace declining state tax support of public higher education. Each potential revenue source has serious limitations and is not consistent with supporting undergraduate education. Federal funding is restricted to student financial aid and research. Corporate and foundation funds are restricted to highly targeted purposes, and rarely involve continuing support. Private donors typically balk at funding basic educational expenses.

If Wisconsin's citizens are to compete and thrive in the increasingly competitive global marketplace, they must have access to top-quality higher education opportunities. Prosperity is inextricably linked to individual educational attainment and general workforce preparation.

For more than 150 years, Wisconsin tax dollars have supported and sustained public higher education of exceptional quality and value to the state. Wisconsin must continue this commitment. It is much easier and more cost effective to sustain quality than to rebuild it once it is lost.

The UW already trails its peers in many critical areas of investment. Further reductions are sure to have dire consequences with respect to educational quality, access, and state economic impact.

### **13. Wisconsin must increase student financial aid to ensure access for students of all income levels, including a "hold harmless" program that would provide students from the lowest income level with grants to cover the costs of tuition increases.**

Access to education is fundamental to Wisconsin's future prosperity. Future

economic growth and vitality depend on an educated workforce. Today, 70 percent of "new economy" jobs require a college degree. Our goal is for all qualified students to be able to enter the UW System.

Financial aid is key to providing access for those who cannot otherwise afford higher education. Lack of access will perpetuate the cycle of poverty for Wisconsin's poorest students and their families.

We find a disturbing trend: fewer and fewer low-income students in Wisconsin are enrolling in UW institutions. Specifically, 37 percent of new UW freshmen from the lowest-two family income quintiles enrolled in 1992. Ten years later that measure was 30 percent. Over this period, Wisconsin has moved from a low-tuition/low-aid philosophy to an average-tuition/uncertain-aid reality.

In this environment, declining low- and moderate-income access must be reversed by providing adequate financial aid to ensure access to students from all income groups. It is estimated that this will require an additional \$30–35 million GPR in the 2005–2007 budget.

Further, more financial aid for disadvantaged students is vital if UW institutions are to attract and retain a student population that mirrors Wisconsin's citizenry.

In future budget requests, the committee recommended that the UW System consider:

- a. Expanding the "hold harmless" program to include students from the two lowest-income quintiles;
- b. Using financial aid as an incentive for state "brain gain" in targeted professions, such as nursing.

### **14. The State of Wisconsin should provide the UW System the authority and state tax dollars to:**

- a. Hire an additional 300 faculty to

preserve educational quality and to address strategic research areas;

- b. Provide competitive faculty and administrative pay plans;
- c. Control its own non-GPR positions if it is to attract and retain high-quality faculty and administrators.

Budget cuts over the past decade have severely reduced the numbers of faculty across the UW System. Student-faculty ratios are important indicators of quality. The UW would need to hire an additional 280 FTE faculty simply to bring the student-faculty ratio halfway back to its 1992 level.

Recent dramatic reductions in Wisconsin's per student funding are threatening the UW's core instructional mission and quality. Preserving quality simply by raising tuition is not the answer — it strangles access and is insufficient to meet core needs.

Restoring 300 of the 670 faculty cut over the past decade would begin to improve student-faculty contact and help campuses strategically address areas of greatest need — especially those disciplines that attract tremendous interest from students.

UW faculty brought in \$609.8 million in federal and private research funding in 2002–03, and the UW's annual impact on Wisconsin's economy is \$9.5 billion. University research spawns new companies and increases technology-related jobs.

But the research enterprise is the sum of the efforts of individual faculty and staff. On average, each faculty member attracts \$100,000 of external research funding to the UW. Fewer faculty reduces the UW's competitive advantage in the fight for federal dollars. Additional faculty will also permit a strategic rebuilding of the capacity to conduct scholarly research in areas of state and national need.

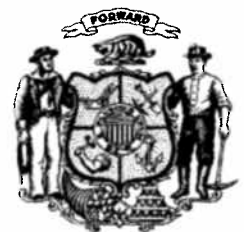
## UW System

Wisconsin Family Income Quintile	1992		1994		1996		1998		2000		2002		2003	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Lowest	2,194	14.5	2,357	15.8	2,226	13.7	2,426	13.7	2,234	12.6	1,959	11.1	1,984	11.0
Low-Medium	3,299	21.9	3,416	22.8	3,711	22.8	3,859	21.8	3,796	21.5	3,249	18.3	3,493	19.3
Medium	3,793	25.1	3,464	23.1	3,879	23.9	4,695	26.6	4,405	24.9	4,340	24.5	4,463	24.7
Medium-High	3,165	21.0	3,022	20.2	3,303	20.3	3,964	22.4	4,117	23.3	4,496	25.4	4,470	24.7
Highest	2,640	17.5	2,708	18.1	3,131	19.3	2,727	15.4	3,116	17.6	3,667	20.7	3,662	20.3
All Quintiles	15,091	100.0	14,966	100.0	16,249	100.0	17,670	100.0	17,668	100.0	17,711	100.0	18,073	100.0
Median Family Income (Est.)	\$39,000		\$42,000		\$47,000		\$51,000		\$55,000		\$59,000		\$60,000	

Sources: ACT, Inc., UW System, and US Census Bureau.



# WISCONSIN STATE LEGISLATURE





# State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933  
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.dor.state.wi.us>

**Jim Doyle**  
Governor

**Michael L. Morgan**  
Secretary of Revenue

## Assembly Colleges and Universities Committee Hearing, May 31, 2005

### **AB 297 – Education Tax Credit (Rep. Jensen)**

#### *Description of Current Law and Proposed Change*

The bill would create a nonrefundable income and franchise tax credit for certain businesses that pay tuition expenses at qualified postsecondary institutions for individuals enrolled in degree-granting programs. The credit would be for 50% of tuition expenses, but would increase to 75% of tuition expenses if the individual's taxable income was not more than 185% of federal poverty line. Unused credit amounts could be carried forward for use in offsetting income tax in future years.

To claim credit for tuition expenses of a family member of the claimant or a managing employee, the family member must have been employed an average of at least 20 hours a week for the claimant or the claimant's business during the previous year and be enrolled in a degree-granting program substantially related to the claimant's business.

Qualified postsecondary institutions are the University of Wisconsin System institutions, technical college system institutions, any regionally accredited four-year nonprofit college or university having regional headquarters and principal place of business in Wisconsin, or a school approved by the veterans educational approval board if the school has a physical presence and delivery of education in the state. Degree granting programs are defined to include any program for which an associate, bachelor's or graduate degree is awarded. No credit could be allowed unless the claimant obtained written certification from the school on the amount of qualified tuition the claimant paid or incurred in the taxable year.

A credit could not be claimed for any tuition amounts excluded from income under the Wisconsin tuition expense deduction or the federal employer educational assistance exclusion.

The bill would also require the department to annually submit a report to the legislature identifying each postsecondary institution that has received tuition payments and the amount of the tuition for each institution that was claimed as a credit.

#### *Fairness/Tax Equity*

- The bill contains provisions that attempt to limit opportunities for abuse of employers who would claim credit for the education expenses of family members. Even with these provisions, there is still potential for abuse whereby the state would subsidize the education of children of business owners and other highly paid executives.

- Subject to limitations in the bill, parents that own a business would be able to receive a credit for 50% or 75% of the education expenses of their children and other relatives. Parents that do not own a business do not have this opportunity.

#### *Impact on Economic Development*

- The credit may encourage employers to provide education benefits to employees. However, to the extent that increased education of employees provides benefit to businesses, this type of expenditure is likely already being provided. Thus, most employers will be rewarded for current behavior that reflects sound business decisions. Because education of employees is a legitimate expense of businesses, a deduction is already available for these amounts.

#### *Administrative Impact/Fiscal Effect*

- Based on information from the University of Wisconsin System, the Wisconsin Technical College System and the U.S. Office of Management and Budget, it is estimated that employers currently provide \$45 million in qualified tuition expenses for employees annually. Of this amount, an estimated \$25 million would be subject to the 50% credit and \$20 million would be subject to the 75% credit. This would result in credit claims of approximately \$27.5 million annually ( $\$20 \text{ million} \times 75\%$ ) + ( $\$25 \text{ million} \times 50\%$ ). Based on Department data, approximately 75% of credits claimed in a tax year are actually used. Therefore, it is estimated that the fiscal effect would be to reduce income tax revenues by \$20.6 million annually ( $\$27.5 \text{ million} \times 75\%$ ).

The Department estimates that one-time computer programming development costs would be \$48,000 and ongoing support and data capture costs would be \$51,100. The bill does not provide funding for these costs.

- The Department has several technical comments regarding the bill.

The bill states that the claimant may not claim the credit "for any tuition amounts that the claimant excluded....under section 127 of the Internal Revenue Code" (IRC). Section 127 of the IRC allows an exclusion from gross income of the employee for amounts paid by the employer for educational assistance. Section 127 does not allow an exclusion for the employer (the employer is the claimant under SB 152). The Department is not clear about the intent of this provision.

The bill provides for an increased credit amount if the taxable income of the individual receiving the education benefit is not more than 185% of the poverty line. This provision would require that personal information from students about their taxable income, their spouse's income or their parents' income be provided to the claimant.

For purposes of the 75% credit, the taxable income is considered for the year prior to commencing participation in the education program. However, for purposes of the written certification from a postsecondary institution, the taxable income to be reported appears to be for the taxable year in which the tuition is paid. It is unlikely that the postsecondary institution would have information available for the current year.

The bill provides that the credit may be claimed against the regular and the alternative minimum tax (AMT). However, the order of computation places the credit before the AMT. If the credit is to offset the AMT, it should be placed after s. 71.10 (4)(f).

It appears that a nonresident self-employed person who sends a child to a Wisconsin school could claim the credit even though the self-employed income may not be taxable to Wisconsin. It is unclear if that is the intent of the provision.

*DOR Position*

- Oppose

Prepared by: Pam Walgren (608) 266-7817

May 26, 2005

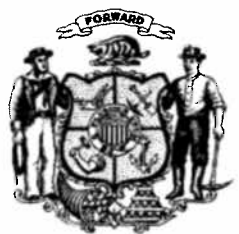
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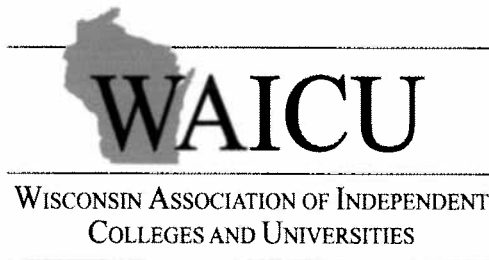




WISCONSIN STATE LEGISLATURE



ALVERNO COLLEGE  
BELOIT COLLEGE  
CARDINAL STRITCH UNIVERSITY  
CARROLL COLLEGE  
CARTHAGE COLLEGE  
CONCORDIA UNIVERSITY  
EDGEWOOD COLLEGE  
LAKELAND COLLEGE  
LAWRENCE UNIVERSITY  
MARIAN COLLEGE



MARQUETTE UNIVERSITY  
MILWAUKEE INSTITUTE OF ART & DESIGN  
MILWAUKEE SCHOOL OF ENGINEERING  
MOUNT MARY COLLEGE  
NORTHLAND COLLEGE  
RIPON COLLEGE  
ST. NORBERT COLLEGE  
SILVER LAKE COLLEGE  
VITERBO UNIVERSITY  
WISCONSIN LUTHERAN COLLEGE

## ASSEMBLY COMMITTEE ON COLLEGES AND UNIVERSITIES

### TESTIMONY

by

Dr. Rolf Wegenke, President

Wisconsin Association of Independent Colleges and Universities

on

**2005 Assembly Bill 297**

May 31, 2005

Representative Kreibich and members of the committee, my name is Rolf Wegenke. I am the President of the Wisconsin Association of Independent Colleges and Universities (WAICU), representing the 20 private, or independent, colleges of Wisconsin and their 56,000 students.

I am here today speaking in support of Assembly Bill 297. This legislation has the unanimous endorsement of the WAICU Board (the 20 college and university presidents). Versions of this bill have been passed by the full Assembly with bipartisan support in two previous sessions of the Legislature but were never scheduled for full Senate consideration. After more than six years of effort, the time has come to enact an Education Tax Credit.

As you know, AB 297 provides Wisconsin employers with a tax credit equal to 50 percent of the tuition they may pay for any individual to attend a public or private college, university, technical college, or a school approved by the Educational Approval Board. The credit rises to 75 percent for tuition paid for individuals whose incomes are at or below 185 percent of poverty.

Today's Knowledge Economy is dependent for success on an educated citizenry. Education itself can no longer be seen as only a part of the infrastructure or as a means to an end. Rather, education is an economic cluster, a generator of wealth, and an export industry. The "hot" book read by business leaders today is entitled, *The Only Sustainable Edge*. This book forcefully makes the case that leadership in the new economy is no longer constrained by limited natural resources because the only resource that counts is education (what the book's authors call, "capability building"). This resource can be expanded infinitely, and the economic "winners" will be those who do so.

Education—specifically higher education—is a key predictor of personal income. State per capita personal income is largely determined by the proportion of each state's population age 25 and

over that has at least a bachelor's degree from college. In order to thrive in the Knowledge Economy, Wisconsin must attract and retain an educated workforce.

Unfortunately, Wisconsin is in danger of being left behind in the Knowledge Economy. According to the U.S. Census, Wisconsin's ranking among all states declined from 32nd place in 2001 to 35th place in 2003 in the percentage of its population with college degrees. If Wisconsin could raise the percentage of its population with college degrees just to the national average, our state would add \$7 billion to its tax base. Furthermore, Wisconsin does not have enough workers to keep it positioned for leadership in the Knowledge Economy. To solve this problem, Wisconsin needs to increase the total number of knowledge workers. The Education Tax Credit provides the best tool to accomplish these objectives.

First of all, I believe that "if you build it, they will come." Wisconsin must not make the mistake of waiting until our state has the knowledge-based businesses in order to increase our college-educated population. This strategy will never work. "Smoke stack chasing" is thoroughly discredited as an economic development strategy. On the contrary, we need to provide incentives to increase the state's supply of knowledge workers in order to attract knowledge-based businesses in the first place. This strategy mirrors the state's successful efforts to promote manufacturing growth in the 1980s through the machinery and equipment (M&E) tax exemption. A study conducted by the Wisconsin Department of Development in 1982 demonstrated that the M&E exemption stimulated growth of the manufacturing sector. The Education Tax Credit will have a similar direct, positive impact on the growth of knowledge-based industries.

If government invests in the supply of knowledge workers, Wisconsin will be well positioned for the Knowledge Economy. According to researchers, most college and university graduates end up employed within 125 miles of the institution in which they enrolled. Wisconsin's private colleges have 210,000 alumni living and working in this state. Approximately 40 percent of the first-time, first-year students in a private college or university are from out of state, and 30 percent of them stay here after graduation, making Wisconsin's private colleges and universities net importers of knowledge workers to this state. Students who come here to develop high-level skills at both public and private colleges, universities, and technical colleges are more likely to stay here to employ their brains in Wisconsin's economy. The CEO of Hewlett-Packard has said, "Keep your highway interchanges; we will go where the highly skilled people are." We cannot expect businesses to expand in Wisconsin unless we grow our supply of educated knowledge workers. Smokestack chasing—i.e., relying on industries to relocate as the primary means of economic development—has largely been discredited. Most economic development will be "home grown," but this growth will not take place unless we expand our supply of knowledge workers.

Second, Wisconsin needs to expand educational opportunity for all. A recent study published in *Postsecondary Education Opportunity* indicates that Wisconsin has had **declining** participation in higher

education by low-income families for over a decade. The wisdom of this bill's authors in granting a larger credit when tuition is paid for low-income individuals is vindicated.

Third, employers, not government, should determine what fields of study will drive the economy. Government is ill suited to make decisions about the kind of investments needed in education because it is difficult to predict exactly what kind of knowledge workers will be needed in the future. No one has a crystal ball with sufficient clarity. Half of the jobs this year's college freshmen will hold when they graduate in four years do not yet exist. Should Wisconsin invest in more microbiologists? More computer scientists? More teachers? More healthcare workers? More welders? Should students attend a public or private college or university, or a technical college? The Education Tax Credit lets the marketplace and the students decide. The reality is we need highly trained and educated workers of all kinds. It makes no sense to pit one sector against the others. For example, Quad Graphics employs thousands of printers, many of whom received their training at a Wisconsin technical college; but the company also employs over 500 scientists and engineers who hold four-year degrees (and higher).

I want to make it clear that WAICU members have the demonstrated capacity to produce college graduates in fields where Wisconsin has critical shortages. Our 56,000 students constitute only 30 percent of the state's total four-year college enrollments, but nonetheless we produce:

- 44 percent of the state's graduates with degrees in business fields
- 49 percent of the 4-year degree nurses
- 60 percent of the reading teachers
- 55 percent of the math teachers

Assembly Bill 297 provides an incentive for private sector employers to do more to invest in students. Moreover, this legislation does not put the entire burden on the taxpayers. The credit would equal only a portion (50 percent to 75 percent) of the tuition paid. While the credit will initially have an impact on state revenue collections, the impact will be offset by the return on the investment in worker productivity and in personal income growth. This is exactly the kind of public-private partnership for which Wisconsin is famous.

For all of these reasons, we consider Assembly Bill 297 one of the most creative and most promising ways to help Wisconsin into the future.

I would be happy to answer any questions.





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Milwaukee and Madison, Wisconsin*

## **Key Points Testimony in Support of AB-297 – The Education Tax Credit for Businesses**

The degree-granting schools of higher education regulated by the Wisconsin Educational Approval board **support AB-297** because:

- This business-oriented education tax credit is a **fast and effective** way for Wisconsin to increase the number of college graduates. Wisconsin needs to catch up quickly with Minnesota, Illinois and other states in producing and keeping college graduates, so Wisconsin can compete in a high-wage, high-skill economy.
- Wisconsin needs to produce 72,000 more four-year college graduates by 2010 just to equal the national average for the percentage of baccalaureate degree holders age 25 and older.
- In Wisconsin, over the last ten years, there has been a **decline** in the proportion of young adults who enroll in higher education.
- The percentage of students in Wisconsin who are enrolled in college and are between 18 and 24 years old has **declined** from 39% in 1994 to 31% in 2004.
- A low **percentage** (3.7%) of working age adults (ages 25 to 49) in Wisconsin are enrolled part-time in college-level education or training.
- This business and employee-oriented education tax credit allows businesses and their employees to choose what educational options best benefit both the business and their employees.
- Degree-granting, EAB-approved schools focus on serving working adults who want to complete a 2-year, 4-year or advanced degrees. These Wisconsin residents can then earn a degree, receive more promotions, earn more income, pay more taxes, and continue to live in Wisconsin.
- Among minority ethnic groups in Wisconsin, the number of young adults (ages 18 to 24) who are enrolled in college has **declined** over the past decade from 30 of every 100 to only 16 of 100.

- If all ethnic groups in Wisconsin had the same educational attainment and earnings as whites, total personal income in Wisconsin would be about **\$1.5 billion higher**, and the state would realize an estimated **\$540 million** in additional tax revenues.
- A number of degree-granting schools regulated by the Wisconsin Educational Approval Board also tend to serve **ethnically-diverse** and **lower-income** students. Particularly in Wisconsin's urban centers, these students are important to the future economic vitality of their families, their communities, and the state as a whole.
- This business-oriented education tax credit achieves three important education objectives at the same time:
  - It produces graduates who can better meet the challenges of Wisconsin's increasingly knowledge-based economy.
  - It allows Wisconsin businesses and their employees to choose the education they need to be competitive and successful.
  - It provides Wisconsin employers with solid, competitive employees who will add more value to their businesses, as the employees gain more relevant education.
- If we can close Wisconsin's "degree gap," the income of Wisconsin's residents will rise. Accordingly, for example, we should be closer to Minnesota's median wage of \$39,700 or Illinois' \$40,500, rather than Wisconsin's \$33,500.

AB-297 is a targeted proposal that merits support.

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