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☞ Details: Public Hearing: Audit Report 07-2: An Evaluation: Personnel Policies and Practices,
Wisconsin Technical College System

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2007-08

[session year]

Joint

(Assembly, Senate or Joint)

Committee on Audit...

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) (October 2012)

Record of Committee Proceedings

Joint Legislative Audit Committee

Audit Report 07-2

An Evaluation: Personnel Policies and Practices, Wisconsin Technical College System.

May 23, 2007

PUBLIC HEARING HELD

Present: (9) Senators Sullivan, Lassa, Decker and Cowles;
Representatives Jeskewitz, Rhoades, Kerkman, Cullen
and Parisi.
Excused: (1) Senator A. Lasee.

Appearances For

- None.

Appearances Against

- None.

Appearances for Information Only

- Janice Mueller, Madison — State Auditor, Legislative Audit Bureau
- Paul Stuibler, Madison — Legislative Audit Bureau
- Dan Clancy, Madison — President, Wisconsin Technical College System
- John Lucas, Manitowoc — Board Member, Lakeshore Technical College District Board
- John Clark, Wisconsin Rapids — President, Mid-State Technical College
- Joe Lowndes, Madison — Member of Faculty, Madison Area Technical College
- Patricia Smoody, Pleasant Prairie — College Instructor, Gateway Technical College

Registrations For

- None.

Registrations Against

- None.

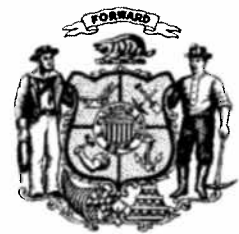
Registrations for Information Only

- None.


Lewis Ross
Committee Clerk



WISCONSIN STATE LEGISLATURE



JOINT LEGISLATIVE AUDIT COMMITTEE

Guide Notes for Public Hearing

May 23, 2007

411 South, State Capitol, Madison

Prepared by:

Pam Shannon, Senior Staff Attorney, Legislative Council Staff

Lewis Rosser, Committee Clerk, Joint Legislative Audit Committee

A. INTRODUCTORY ITEMS

Chair (Sen. Jim Sullivan):

- Calls the meeting to order.
- Asks the clerk to call the roll. Clerk can announce members expected to arrive late and those excused. [No quorum is needed to begin or conduct the public hearing.]
- Notes that members may be in and out because of other committee meetings.
 - *Sen. Lassa is attending the audit hearing today, but she will need to testify on two of her bills that are up in other committees.*
 - *Sen. Cowles is attending the audit hearing today, but he will need to testify on one of his bills that is up in another committee.*
 - *Sen. Lasee will not be able to be attend today.*
- Announces there is one item on the agenda:

A public hearing on Audit Report 07-2, An Evaluation: Personnel Policies and Practices, Wisconsin Technical College System.
- Reminds people wishing to testify to fill out a hearing slip and give it to page staff.
- Notes that copies of the materials relating to the audit are on the table in the hallway. For those listening on the Internet, materials are at Audit Bureau website.

B. A PUBLIC HEARING ON AUDIT REPORT 07-2, AN EVALUATION: PERSONNEL POLICIES AND PRACTICES, WISCONSIN TECHNICAL COLLEGE SYSTEM

1. Chair:

- Reminds audience that the hearing will begin with the invited speakers, from the Audit Bureau and the Wisconsin Technical College System. Public testimony is welcome following their testimony.

- Makes any preliminary remarks and asks Co-chair Jeskewitz if she wishes to do so.
- Calls up Jan Mueller and Paul Stuiber to give a brief summary of Audit Bureau's findings/recommendations.

2. Jan Mueller and Paul Stuiber:

- Summarize audit findings and recommendations.
- Take questions from committee members.

3. Chair:

- Calls up Daniel Clancy, President, Wisconsin Technical College System, Dr. John Clark, President, Mid-State Technical College, and John Lucas, Member, Lakeshore Technical College District Board, to discuss the audit findings and recommendations.

4. President Clancy, Dr. Clark, and Mr. Lucas:

- Discuss WTCS audit report and summarizes WTCS follow-up to audit report.
***** In the hearing invitation letter, Pres. Clancy was asked to be prepared to offer testimony in response to the audit findings and to respond to questions from committee members.**
- Respond to questions from committee members.

5. Chair:

- Reminds people wishing to testify to fill out a hearing slip and give it to page staff.
- Calls up next registered speaker to offer testimony in response to the audit findings and to respond to questions from committee members.
- Speaker testifies on audit findings and responds to questions from committee members.
- (repeat #5 as needed)

6. Chair:

- Asks for any further committee discussion regarding the audit.
- Adjourns the meeting.



Personnel Policies and Practices Wisconsin Technical College System

Legislative Audit Bureau
May 2007

1

Overview

- ◆ WTCS includes 48 campuses operated by 16 technical college districts.
- ◆ In March 2006, the system employed 12,908 individuals, including 7,181 faculty.
- ◆ The Technical College System Board sets statewide policies and standards.
- ◆ Approximately two-thirds of WTCS staff are unionized employees.
- ◆ In FY 2005-06, WTCS expenditures totaled \$1.1 billion.

2

Audit Scope

- ◆ At the direction of the Joint Legislative Audit Committee we reviewed:
 - employee compensation and fringe benefits;
 - the use and reporting of leave time;
 - adherence to laws and policies governing the procurement of consulting services; and
 - the use of settlement agreements.

3

Average Employee Earnings

- ◆ Average earnings vary based on differences in compensation rates and workloads.
- ◆ In FY 2004-05, average earnings were:
 - \$77,567 for full-time administrators;
 - \$74,598 for full-time faculty; and
 - \$43,636 for full-time support staff.
- ◆ 369 employees earned at least \$100,000.

4

Faculty Workloads

- ◆ Full-time workloads are defined by collective bargaining agreements.
- ◆ Full-time faculty workloads averaged 35.7 hours per week and ranged from 32 hours to 40 hours.
- ◆ In FY 2004-05, 68.2 percent of full-time faculty earned additional compensation by working more than a full-time workload.
- ◆ Most additional earnings represented compensation for teaching additional courses.

5

Highly Compensated Faculty

- ◆ In FY 2004-05:
 - A Northeast district faculty member earned \$191,500, or 186 percent more than her base salary, primarily by teaching additional courses.
 - A Western district faculty member earned \$107,000, or 65 percent more than her base salary, primarily by teaching additional courses.

6

Faculty Salaries

Base Salaries of Full-Time Faculty at Public Two-Year Institutions Surrounding Midwestern States, 2004-05

State	Number of Schools ¹	Number of Full-Time Faculty ²	Average Base Salary ²
Michigan	23	2,278	\$64,140
Wisconsin (WTCS)	16	2,971	61,065
Minnesota	27	2,464	56,168
Illinois	48	4,363	55,739
Wisconsin (UW Colleges)	13	294	49,817
Ohio	33	2,999	48,724
Iowa	16	1,196	42,612
Indiana	14	1,117	41,245
Total	190	17,682	52,439

¹ Represents the number that submitted survey data.

² As reported by the institution in its survey response.

Source: Department of Education, National Center for Education Statistics

7

WTCS and UW Faculty Earnings

Comparison of Earnings by WTCS and UW Faculty (Full-Time Employees)

WTCS District	Average FY 2004-05 WTCS Faculty Earnings	UW Institution (Four-Year Only)	Average 2005 UW Faculty Earnings	Difference in Average Earnings
Chippewa Valley	71,489	UW-Eau Claire	\$ 61,512	\$ 9,977
		UW-Stout	61,089	10,400
		UW-River Falls	61,711	9,778
Fox Valley	73,068	UW-Oshkosh	61,514	11,554
		UW-Parkside	63,900	10,933
Gateway	74,833	UW-Whitewater	64,010	10,823
		UW-Madison	101,125	(26,406)
Mid-State	65,818	UW-Stevens Point	61,012	4,806
Milwaukee Area	89,850	UW-Milwaukee	77,139	12,711
Northeast Wisconsin	82,406	UW-Green Bay	57,199	25,207
Southwest Wisconsin	63,090	UW-Platteville	60,895	2,195
Western	57,666	UW-La Crosse	65,311	(7,645)
Wisconsin Indianhead	61,163	UW-Superior	61,724	(561)

8

Employee Leave Use

- ◆ The amount of sick leave WTCS employees earn varies based on bargaining agreements.
- ◆ In FY 2004-05:
 - Full-time employees reported using an average of 6.0 days of sick leave.
 - With an average of 3.2 days, faculty reported using the least amount of sick leave.
 - 38.1 percent of faculty reported using no sick leave.

9

Future Benefit Liabilities

- ◆ All districts provide health insurance benefits to some retirees.
- ◆ Costs totaled \$15.7 million in FY 2005-06.
- ◆ 13 of the 16 districts have estimated their future non-pension benefit liabilities.
- ◆ Milwaukee Area's \$228.6 million liability raises concerns about how it will be addressed.

10

Use of Retainer Agreements

- ◆ Establish fixed regular payments for agreed upon services, even if the amount and type of work varies.
- ◆ 8 districts reported 10 retainer agreements in FY 2005-06, including 6 for health care benefits consulting.
- ◆ Some districts did not follow proper competitive selection procedures.

11

Settlement Agreements

- ◆ 12 districts reported having used settlement agreements to resolve personnel issues.
- ◆ From July 2002 through March 2006, 81 settlement agreements were negotiated.
- ◆ 39 of the 81 agreements related to termination for unsatisfactory performance.
- ◆ Settlement payments totaled \$1.5 million, and the median payment was \$15,000.

12



PRESENTATION FOR JOINT LEGISLATIVE AUDIT COMMITTEE

WTCS Personnel Policies and Practices Report 07-2

May 23, 2007

SLIDE 1

Introductory Slide

SLIDE 2

The Wisconsin Technical College System offers associate degree programs, technical diplomas and certificates, and customized training at 48 campuses operated by 16 technical college districts. In March 2006, the system employed 12,900 individuals, including 7,181 full- and part-time faculty.

The technical college districts are local units of government. Each is governed by an appointed board and funded through local property taxes, tuition, student fees, and state and federal aid. Local property taxes were the source of 56 percent of WTCS funding in FY 2005-06.

A state agency—the Technical College System Board and its 63 staff—oversees some district operations, but each of the 16 districts develops its own personnel policies and procedures, most of which are negotiated through collective bargaining. Approximately two-thirds of technical college employees are represented by 44 local unions for faculty and support staff .

The expenditures of WTCS districts and the System Board totaled \$1.1 billion in fiscal year 2005-06. Employee salaries and fringe benefits accounted for more than two-thirds of that total.

SLIDE 3

At the direction of the Audit Committee, we evaluated selected personnel policies and practices affecting both local and state employees of the Technical College System, including:

- compensation and fringe benefits;

- the use and reporting of leave time;
- adherence to state laws and policies governing the procurement of consulting services; and
- the use of settlement agreements to resolve personnel issues.

SLIDE 4

Average earnings vary, because of differences in the compensation rates and workloads specified in each district's policies and collective bargaining agreements.

In fiscal year 2004-05:

- full-time WTCS administrators earned an average of \$77,567;
- full-time faculty earned an average of \$74,598; and
- full-time support staff earned an average of \$43,636.

In that year, 369 WTCS employees had earnings of at least \$100,000. The Milwaukee Area district accounted for 188 of these employees, and had the largest number of faculty with earnings of at least \$100,000. The Madison Area district had the largest number of administrators with earnings of at least \$100,000.

SLIDE 5

Full-time workloads for WTCS faculty are defined by district collective bargaining agreements. Faculty workloads averaged 35.7 hours per week and ranged from 32 hours in Milwaukee to 40 hours in Chippewa Valley. In fiscal year 2004-05, 68 percent of full-time faculty earned additional compensation by working more than a full-time workload.

We reviewed a sample of 97 of the 250 most highly compensated faculty and found that average earnings increased with increases in workload and that most of the additional earnings represented compensation for teaching additional courses.

SLIDE 6

For example, in fiscal year 2004-05:

- In the Northeast district, a faculty member earned \$191,500, or 186 percent more than her base salary, primarily by teaching 13 additional courses during the academic year, including on-line and other nontraditional courses, and 4 courses during the summer session.
- In the Western district, a faculty member earned \$107,000, or 65 percent more than her base salary, primarily by teaching 3 summer courses and 12 additional courses during the academic year, including 9 online courses.

Overall, earnings for faculty with the largest workloads were approximately one-third more than the average for all full-time WTCS faculty.

SLIDE 7

The average base salaries of WTCS faculty are among the highest reported nationally. As shown in the slide, among surrounding midwestern states, only Michigan reported higher average salaries for the 2004-05 school year.

Average annual WTCS faculty earnings—which represent base salaries plus additional compensation—exceeded the average annual earnings of full-time faculty at the two-year University of Wisconsin Colleges by approximately \$22,000.

SLIDE 8

We also compared average full-time faculty earnings in the ten technical college districts that also include a four-year UW System institution. As shown in the slide, in 7 districts average earnings were higher for WTCS faculty. In 3 districts—Madison Area, Western, and Wisconsin Indianhead—they were higher for full-time faculty at four-year UW System institutions.

It should be noted that personnel costs for faculty are affected by market factors, tenure, collective bargaining agreements, and fringe benefits, as well as by staffing decisions made at each institution. For example, the extent to which institutions rely on part-time faculty can affect personnel costs.

SLIDE 9

All WTCS employees earn fringe benefits such as health and dental insurance, life insurance, and retirement benefits. Individual technical college districts establish fringe benefit policies for their employees, subject to collective bargaining agreements, while staff of the System Board receive standard state employee benefits.

WTCS employees also earn sick leave, as required by statutes. The amount earned each year varies based on collective bargaining agreements and individual district policies.

In FY 2004-05, full-time WTCS employees reported using an average of 6.0 days of sick leave. On average, faculty reported using 3.2 days, while support staff reported using 8.9 days.

Although most full-time employees reported using some sick leave during FY 2004-05, 38 percent of faculty reported using none, compared to 18 percent of administrators and 7 percent of support staff. A greater percentage of UW System employees reported using no sick leave in 2005.

We found that employee leave reporting appeared to be accurate in most instances. Leave reported on paper forms submitted by employees generally matched electronic leave records.

SLIDE 10

All 16 technical college districts participate in the Wisconsin Retirement System, which provides pensions to eligible retirees of the State and participating local governments. In addition, all 16 technical college districts provide health insurance benefits to some retirees. For example, faculty and administrators in 11 of the 16 districts can retire and receive health insurance benefits at 55, provided they meet length of service requirements. In these districts, their benefits end at age 65 or upon Medicare eligibility. Two districts—Milwaukee Area and Waukesha County—provide comparatively more generous benefits.

District costs for retiree insurance benefits totaled \$15.7 million in fiscal year 2005-06.

Under new accounting rules, all public employers will be required to more fully disclose the future costs of non-pension retiree benefits no later than 2010.

Although accounting rules do not require employers to fund these costs, large unfunded liabilities could adversely affect employers' credit ratings and the cost of issuing bonds.

Of the 16 technical college districts, 13 have estimated their liabilities for benefits already promised to current and retired employees. Actuarial estimates of the costs of these non-pension post-retirement benefits range from \$3.3 million for the Northeast district to \$228.6 million for the Milwaukee Area district. The magnitude of Milwaukee Area's liability suggests the district could be challenged to meet its future financial obligations without significantly increasing revenues or significantly reducing its operating budget.

SLIDE 11

As you may recall, we had previously reviewed the use of retainer agreements for the procurement of legal services by the technical colleges.

As part of this audit, we examined the extent to which technical college districts contract for all types of professional services using retainer agreements. These agreements establish fixed regular payments for agreed-upon services even though the amount and type of work may vary.

Eight districts reported a total of ten retainer agreements in FY 2005-06. Six of the ten contracts were with employee health care benefits consulting firms. While most retainer agreements met specified procurement requirements, we noted several concerns.

In particular, the Waukesha County and Madison Area districts entered into retainer agreements exceeding \$25,000 without following the competitive selection process required by law.

SLIDE 12

Twelve of the 16 districts reported that they had resolved personnel issues by negotiating settlement agreements with their employees. The most common reason for entering into an agreement was to terminate employment because of unsatisfactory performance, which accounted for 39 of the 81 cases.

Other reasons included position elimination or restructuring, settlement of discrimination complaints, and termination for misconduct.

From July 2002 through March 2006, 81 settlement agreements were negotiated, including 17 by the Gateway district. Approximately one-half of the agreements involved administrators, with the remainder evenly split between faculty and support staff.

Settlement payments totaled \$1.5 million over the period we reviewed. The median payment was \$15,000.

In addition, 47 of the 81 settlement agreements provided employer-paid health insurance benefits for varying periods.

Our report contains a number of recommendations for improving the compliance of the WTCS system with several personnel-related laws and policies. The State Board has agreed with all of our recommendations.

Thank you for your attention.





Senator Sullivan, Representative Jeskewitz, and members of the Joint Legislative Audit Committee, thank you for your invitation to provide testimony regarding the evaluation of Personnel Policies and Practices within the Wisconsin Technical College System. I am joined today by Dr. John Clark, President of Mid-State Technical College, and Mr. John Lukas, Vice President of LDI Industries, Inc., and a member of the Lakeshore Technical College district board.

We appreciate the Audit Bureau's efforts in completing an evaluation of our personnel policies and practices. I heard only positive comments from the districts regarding the professional manner in which the Audit Bureau's staff conducted their review. The report reinforces our System's strong commitment to public accountability and educational excellence.

I was pleased that the Audit Bureau reported general compliance with System and district policies and procedures in the areas reviewed. The System Office will work with the technical college districts to ensure that all five of the report's recommendations are implemented. I would like to more fully address the recommendation regarding technical college districts' plans for addressing other post-employment benefits costs.

As the Audit Bureau reported, the Governmental Accounting Standards Board issued new rules requiring public employers to recognize the costs of other post-employment benefits (OPEB) for retirees, which largely consist of health care costs. The disclosure and funding of the OPEB liabilities may pose challenges for many governmental entities across the state and nation. For most Wisconsin technical college districts, these new accounting rules do not take effect until FY 2008-09; nevertheless, thirteen districts have already completed their actuarial studies, and the three remaining districts will have their studies completed in the time required. The two districts with the largest liabilities—Waukesha County and Milwaukee Area—have both been planning how to finance their OPEB liabilities for some time. The Waukesha County district has already designated over \$30 million and created an irrevocable trust to accumulate additional funds to meet its liability, while the Milwaukee Area district intends to have a plan in place for its FY 2007-08 budget. The System Office will provide a report on all the technical college districts' plans for addressing OPEB costs to the Joint Legislative Audit Committee by September 1, 2007 as recommended.

I would also like to highlight that our technical college districts have a history of prudent financial management. In fact, according to Moody's Investors Service, Wisconsin's technical college districts have the highest bond ratings found in any state technical or community college system in the nation. Moody's has concluded that the districts' high-credit quality will likely continue in the future due to their healthy reserves and manageable debt level.

A portion of the Audit Bureau's report is dedicated to discussing employee compensation, particularly that of full-time faculty, and how it compares to other educational institutions. The report provides several possible explanations for faculty compensation levels. Most importantly, the report notes that those full-time faculty who earned compensation beyond the base salary stipulated in their collective bargaining agreement did so by working more than a full-time workload, primarily by teaching additional courses. Furthermore, the report indicates that many factors can influence faculty compensation, including tenure, the employment market, collective bargaining agreements, fringe benefits, and the extent to which institutions rely on part-time faculty.

I would like to expand on the Audit Bureau's observation about the factors that influence faculty compensation. Technical college districts must recruit and hire in very competitive employment markets. As noted in the Audit Bureau's report on economic development programs released in August 2006, the Wisconsin Technical College System makes an important contribution to the development of Wisconsin's economy by ensuring the availability of a well-trained and knowledgeable workforce. The responsive career and technical education provided by technical college districts requires faculty who have significant work experience and who are willing to work flexible schedules. Flexible faculty work assignments, including the use of additional teaching assignments, allow technical college districts to serve working adults and to meet the education and training needs of employers with minimal disruption to their business operations. Technical college faculty apply their hands-on industry experience and knowledge in the classroom to ensure students have the skills to meet the needs of employers and to achieve career success. Consequently, the technical college districts are competing to employ nurses, accountants, information technology professionals, and others who can demand a high salary in the private sector. Competitive compensation is critical to ensuring that technical college districts attract qualified instructors.

A common method for measuring personnel costs is to use full-time equivalent positions; a measure which recognizes the effect of using a mix of part-time and full-time faculty and extra work assignments to meet the instructional needs of higher education institutions. This is especially important in the Technical College System, where approximately 60 percent of faculty are part-time or adjunct faculty. As we illustrated in the audit response, the average earnings of a technical college full-time equivalent faculty position were \$62,094 in FY 2004-05, or \$12,504 less than the average earnings of a full-time faculty member highlighted by the Audit Bureau. As this difference illustrates, the use of part-time and adjunct faculty brings the average earnings of technical college faculty down substantially from that of full-time faculty alone.

Thank you for the opportunity to provide testimony regarding this important evaluation.

Building
Wisconsin's wealth
through
workforce development



WISCONSIN'S
TECHNICAL COLLEGES

EMPLOYERS SAY...

"We face challenges because the health care industry is continually evolving and changing. We pride ourselves on being a state-of-the-art institution and we need state-of-the-art employees; so we look to the Wisconsin Technical College System. We've asked them to meet our needs in programs—maybe a medical assistant program, a phlebotomy program, and they will gear their recruiting efforts, class sizes, and additional classes to meet those needs."

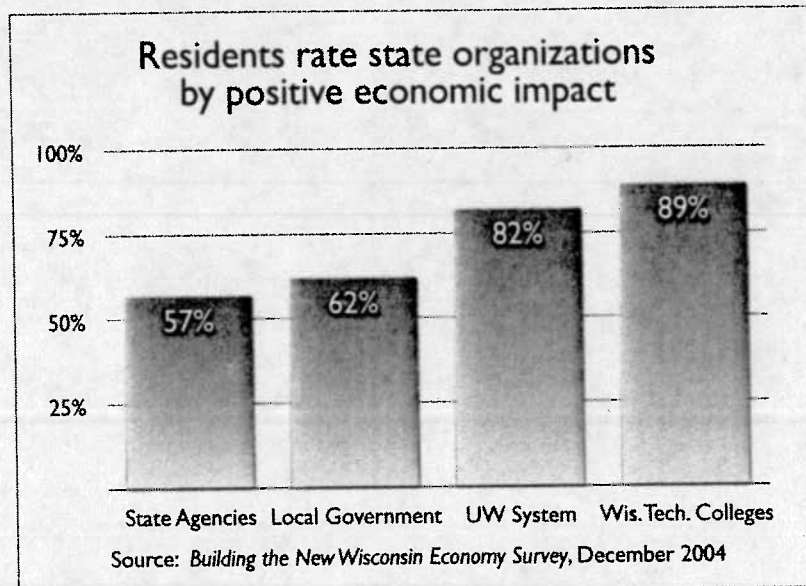
*- Paula Pritzl,
Employment Manager,
Marshfield Clinic,
Marshfield WI.*



Wisconsin's economy relies on skilled professionals

As the primary education and training provider for workforce development, Wisconsin's Technical Colleges have never been more relevant to our economy. Wisconsin's businesses heavily rely upon the technical colleges to provide skilled workers so they can grow and succeed in the new global economy.

According to a recent study by the Building the New Wisconsin Economy organization, 89 percent of state residents say Wisconsin's Technical Colleges positively affect the state's economy — more than any other state institution, agency or educational system.



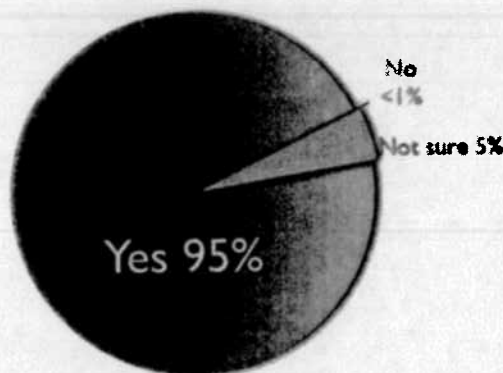
Creating wealth

Economists define economic development as the process of creating wealth in a particular region. Wisconsin's Technical Colleges are instrumental in creating wealth for businesses and individuals around the state. The technical colleges are a key component to economic development as they improve the earning

potential for residents by instilling in them the skills necessary to be productive. Wisconsin's Technical Colleges also help increase the profit potential for businesses that retain productive and skilled employees who keep the company globally competitive.

Employers who would hire a technical college graduate again

● Not sure ● Yes ● No



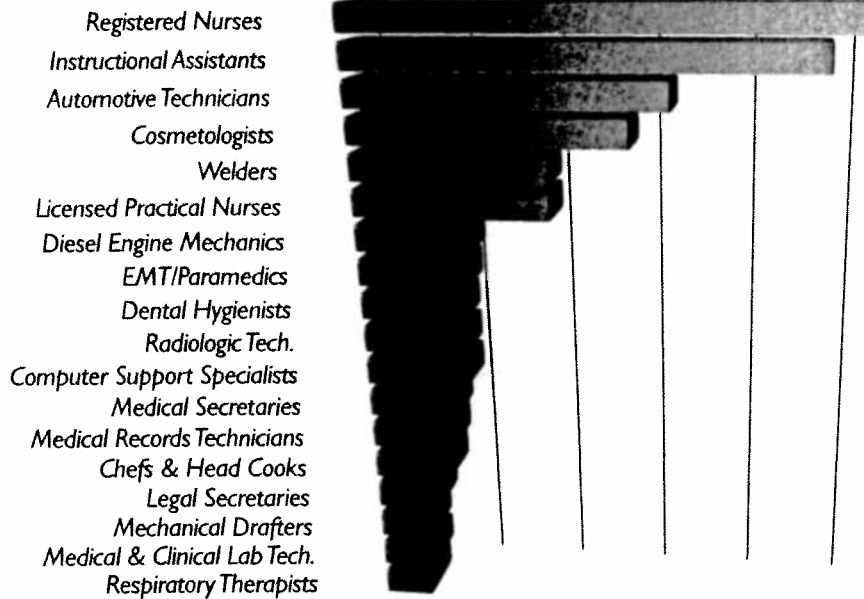
Source: WTCS Employer Satisfaction Report, June 2006

Brain gain

Wisconsin's Technical Colleges take pride in their placement rates. Nearly all our graduates (92 percent) have jobs within six months of graduation, most of whom stay in Wisconsin, creating a "brain gain" for the state. Why? The technical colleges are constantly reassessing education and training programs to ensure that graduates' skill level meets local market needs. Advisory committees, comprised of volunteers from business and industry, are a major key to this constant realignment.

Technical College Careers In Demand

Annual Need = New jobs created plus replacements needed



Source: Wis. Dept. Workforce Development, July 2006

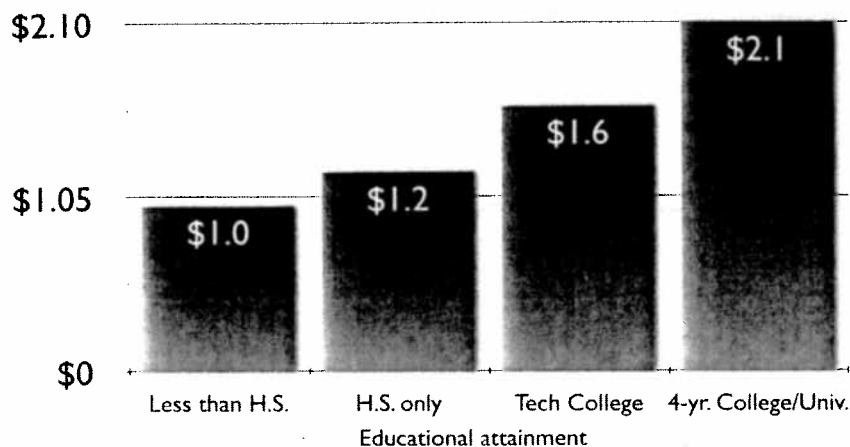
Living wages

Adult workers can no longer count on earning a living wage or advancing themselves economically without any post-secondary education or training. Any education or training program that improves individuals' chances of getting a better job will reap benefits for the individual and his or her future employers.

An increase in knowledge and skills will net greater financial rewards for employees and better productivity and efficiency for employers, both of which will pay dividends to our economy.

Lifetime earnings for full-time wage and salary workers

(in millions of dollars)



Source: U.S. Department of Labor

Tech colleges serving half of Wisconsin's adults

A recent study by the Wisconsin Technical College System shows more than half of all adults in the state have used the technical colleges for education and training over the last decade. More than two million adults, or 51 percent of all individuals 18 or older, have taken courses at the colleges from 1995 through 2004. Among students upgrading their skills, 1.2 million received training from their employer via contracts set up with the technical colleges.

Most students in the technical college system are 19 and 20 years old but the median age of career program students is over 30. Individuals access the technical colleges at various times throughout their working adult lives.

The System also reports that most technical college students are focusing on more than just studies. Greater than 91 percent of technical college students enrolled in career programs are working and 65 percent of part-time students are working. A mere 4 percent of full-time students do not work.

For decades, the technical colleges have been the largest provider of technical and occupational training for the jobs crucial to our communities. Demand comes from employers and students.

More than 100,000 incumbent workers per year learn new skills with customized training arrangements between the colleges and employers. Meanwhile, another 300,000-plus residents access individual courses and career programs for today's economy.

Existing workers who upgraded skills through employer training contracts (last 10 years)

1.2 Million

Source: WTCS Contracts for Services, FY 1994-95 to 2004-05

Accessible and flexible delivery

In addition to forming innovative business partnerships, Wisconsin's Technical Colleges are also developing innovative training delivery. The colleges are responding to increasingly advanced workforce education needs, with projects like Nano-Rite at Chippewa Valley Technical College. The Nano-Rite Center is bringing education and business together to create new industry and jobs in nanotechnology, microfabrication and biotechnology, to name just a few. Critical partnerships forged between the business community and the

technical colleges educate individuals about emerging technologies in world-class training environments. This opportunity for employers and employees provides valuable skills which keep Wisconsin vital in the knowledge economy.

Examples of these partnerships include Fox Valley Technical College's KUKA Robotics Center, Waukesha County Technical College's Applied Printing Technology Center, and Northcentral Technical College's Health Sciences Center.

Continued state success

In this highly competitive global economy, economic development is fueled by the availability of skilled workers. Employees who are able to understand and integrate the latest technology appropriately are among the most efficient and constructive employees. Beyond technical skills, employers also need staff to solve problems and adjust to changes

in the workplace. The success of these employees yields their own higher wages and stronger productivity and growth for companies. Wisconsin's economic future relies on Wisconsin's Technical Colleges.

EMPLOYERS SAY...

"Kohler's commitment to excellence starts with our thousands of associates.

We have a number of skills that need to be

built and we rely on

Wisconsin's technical colleges to develop those

skills. One of the biggest

challenges to Kohler or

with any organization is

evolution of technology.

Wisconsin's technical

colleges help Kohler

really understand what's

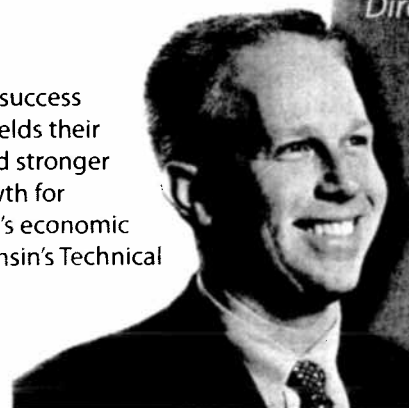
changing out there

and target programs

to build the skills of our

associates."

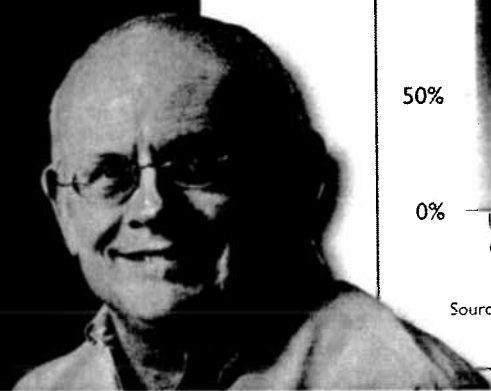
*- Michael Grubich,
Director, Kohler Learning
Kohler Company,
Kohler Wisconsin*



EMPLOYERS SAY...

"We operate at an extremely high pace and we're not the most patient people when it comes to wanting to get things done, like yesterday. We find the Wisconsin Technical College System extremely responsive to our needs. I don't think we've ever asked for anything that they couldn't meet and come up with a resource to help us work on a problem and solve a problem."

*- Don McAdams,
Vice president,
Johnsonville Foods,
Sheboygan, WI*



Wisconsin Taxpayers Alliance reports major payback for tech college investment

A recent study by the Wisconsin Taxpayers' Alliance (WTA) shows how significantly Wisconsin's Technical Colleges impact our state's economy. The study, *Growing Wisconsin's Economy: The Economic Impact of Wisconsin's Technical Colleges*, concluded that the technical colleges generate billions of dollars in economic output each year.

According to the study report, "When the economic impact of technical college spending is combined with the effects of the earnings gains from graduates, a total of \$6.91 billion of 2005-06 state output could be attributed to the colleges."

The study found that for every tax dollar invested in 2005-06, technical college graduates will yield nearly \$6 in additional earnings. Over their lifetimes, these graduates will pour more than \$2 billion of additional earnings into Wisconsin's

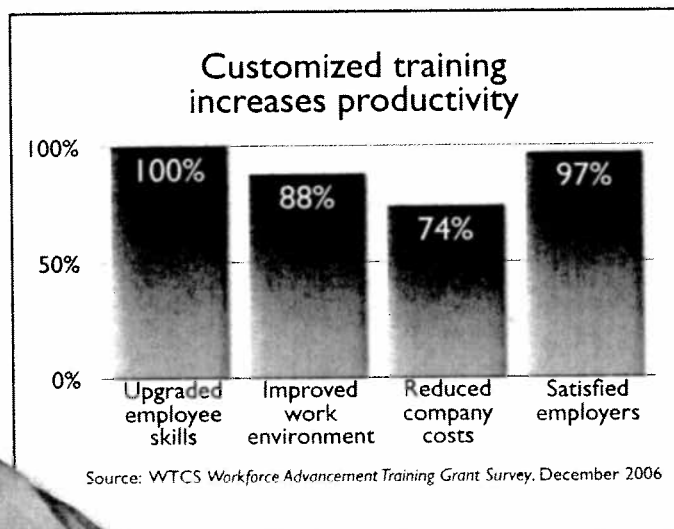
economy. That will generate thousands of new jobs and millions of dollars in additional earnings. The study also concluded the tax dollars used to educate students in 2005-06 created \$2.8 billion in economic output. Each dollar generated nearly \$4 of additional spending.

While the study showed a high rate of return for tax dollars used to educate residents, it did not measure the entire economic impact the technical colleges have on the state's economy. Two areas were not measured. First, the impact of educating working adults who earn increased wages or are more employable as a result of individual courses they complete, and secondly, the additional social benefits as a result of technical education, such as reduced crime, lower health care costs and fewer demands on social services.

Innovative partnerships

Wisconsin's economic viability and improved ability to compete globally require specialized training and education in the occupations employers need. The technical colleges are the only institutions of higher learning whose doors are open to everyone, regardless of past educational success, language, economic status or employment history. A technical college education is relevant to anyone of any background.

Wisconsin's Technical Colleges have expanded the number of minority graduates 52 percent over the past decade. There are also 45,000 four-year college graduates taking courses at the technical colleges. One of the many factors that appeal to Wisconsin residents and employers is the flexible learning options with varying course times, formats and delivery to fit their schedules.



Economic development begins with Wisconsin's Technical Colleges

Blackhawk Technical College

Dr. Eric A. Larson, President
6004 Prairie Road, Co. Trunk G
PO Box 5009
Janesville, WI 53547-5009
608-758-6900 - General Number
608-757-7770 - President
elarson@blackhawk.edu
www.blackhawk.edu

Chippewa Valley Technical College

Dr. William A. Ihlenfeldt, President
620 West Clairemont Avenue
Eau Claire, WI 54701-6162
715-833-6200 - General Number
715-833-6211 - President
wihlenfeldt@cvtc.edu
www.cvtc.edu

Fox Valley Technical College

Dr. David L. Buettner, President
1825 North Bluemound Drive
PO Box 2277
Appleton, WI 54912-2277
920-735-5600 - General Number
920-735-5731 - President
buettner@fvtc.edu
www.fvtc.edu

Gateway Technical College

Mr. Bryan Albrecht, President
3520 30th Avenue
Kenosha, WI 53144-1690
262-564-3300 - General Number
262-564-3000 - President
albrechtb@gtc.edu
www.gtc.edu

Lakeshore Technical College

Dr. Michael A. Lanser, President
1290 North Avenue
Cleveland, WI 53015-1414
920-693-8213 - General Number
920-693-1123 - President
mike.lanser@gotoltc.edu
www.gotoltc.com

Madison Area Technical College

Dr. Bettsey L. Barhorst, President
3550 Anderson Street
Madison, WI 53704-2599
608-246-6282 - General Number
608-246-6676 - President
bbarhorst@matcmadison.edu
www.matcmadison.edu

Mid-State Technical College

Dr. John Clark, President
500 - 32nd Street North
Wisconsin Rapids, WI 54494-5599
715-422-5300 - General Number
715-422-5319 - President
john.clark@mstc.edu
www.mstc.edu

Milwaukee Area Technical College

Dr. Darnell E. Cole, President
700 West State Street
Milwaukee, WI 53233-1443
414-297-6600 - General Number
414-297-6320 - President
coled@matc.edu
www.matc.edu

Moraine Park Technical College

Dr. Gayle Hytrek, President
235 North National Avenue
PO Box 1940
Fond du Lac, WI 54936-1940
920-922-8611 - General Number
920-929-2127 - President
ghytrek@morainepark.edu
www.morainepark.edu

Nicolet Area Technical College

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PO Box 518
Rhineland, WI 54501-0518
715-365-4410 - General Number
715-365-4415 - President
ajlorbet@nicoletcollege.edu
www.nicoletcollege.edu

Northcentral Technical College

Dr. Lori A. Weyers, President
1000 W. Campus Drive
Wausau, WI 54401-1899
715-675-3331 - General Number
715-675-3331, Ext. 1060 - President
weyers@ntc.edu
www.ntc.edu

Northeast WI Technical College

Dr. H. Jeffrey Rafn, President
2740 West Mason Street
PO Box 19042
Green Bay, WI 54307-9042
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920-498-5411 - President
jeff.rafn@nwtc.edu
www.nwtc.edu

Southwest WI Technical College

Dr. Karen R. Knox, President
1800 Bronson Boulevard
Fennimore, WI 53809-9989
608-822-3262 - General Number
608-822-3262, Ext. 2301 - President
krknox@swtc.edu
www.swtc.edu

Waukesha County Technical College

Dr. Barbara Prindiville, President
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262-691-5566 - General Number
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Western Technical College

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LaCrosse, WI 54602-0908
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608-785-9100 - President
raschl@westerntc.edu
www.westerntc.edu

WI Indianhead Technical College

Mr. Charles H. Levine, Interim President
505 Pine Ridge Drive
Shell Lake, WI 54871
715-468-2815 - General Number
715-468-2815, Ext. 2227 - President
clevine@witc.edu

Wisconsin Technical College System

Mr. Daniel Clancy, President
4622 University Avenue
Madison, WI 53705
608-266-1207 - General Number
608-2667983 - President
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www.wtcsystem.edu



For more information on economic development efforts in your area, contact your local technical college.



**TESTIMONY BEFORE THE
JOINT LEGISLATIVE AUDIT COMMITTEE
May 23, 2007**

Senator Sullivan, Representative Jeskewitz, and members of the Joint Legislative Audit Committee, thank you for your invitation to provide testimony concerning the evaluation of Personnel Policies and Practices within the Wisconsin Technical College System.

My name is John Clark. I have the great privilege of being the President of Mid-State Technical College (MSTC). Mid-State Technical College is located in central Wisconsin with campuses in Wisconsin Rapids, Marshfield, Stevens Point, and Adams. The counties we serve include Wood, Portage, Adams and parts of Marathon, Waushara, Juneau, Jackson, and Clark.

As does every college in Wisconsin's Technical College System, MSTC serves the diverse and changing educational needs of our communities. The college is a valued and recognized leader in the development of the regional workforce and economy. Central Wisconsin has many desirable attributes and features. We have great recreational choices, excellent schools, diverse business and industry, and industrious people with lots of talent.

Our area world-class organizations include:

- Marshfield Clinic with 730 physicians in 80 medical specialties located in 41 centers throughout northern, central, and western Wisconsin.
- McCain Foods is one of 31 potato processing plants worldwide with the capacity to produce over 1 million pounds of potato products per hour making it the world's largest producer of frozen French fries.
- Renaissance Learning, serving more than 70,000 North American schools, is the leading provider of technology for personalized practice and continuous monitoring of reading, math, and writing in pre-k through grade 12 schools and districts.
- Sentry Insurance is one of the largest and strongest mutual insurance companies in the United States with headquarters in Stevens Point.
- Stora Enso is an integrated paper, packaging and forest products company. It is a global leader with 44,000 employees in more than 40 countries on five continents.
- Cranberries are one of three of North America's native fruits and Wisconsin is the nation's leader in cranberry farming.

Please be assured that Mid-State Technical College has cooperated and will fully comply with the Audit Bureau's recommendations and has taken steps to do so. I, too, commend the Legislative Audit Bureau staff for their professional manner in conducting this review.

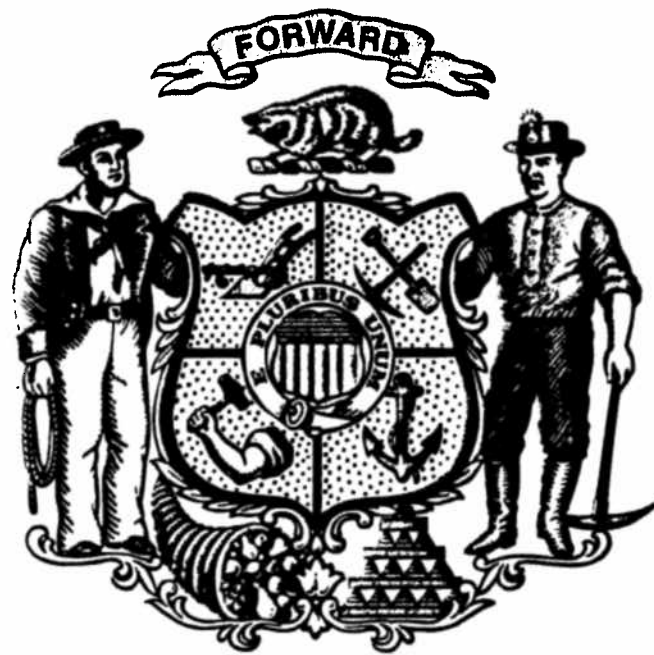
On the topic of public accountability and educational excellence, I would like to share highlights of a recent study of the Wisconsin Technical College System conducted by the Wisconsin Taxpayers Alliance (WTA). Released last month, the Wisconsin Taxpayers Alliance found that WTCS graduates and the colleges' institutional spending combine to generate more than \$6.9 billion of state output annually. More than \$4 billion of this figure is due to the additional wages earned by WTCS graduates above the wages they would have earned with only a high school diploma.

The study notes that the wage figure represents the "lower bound" of technical colleges' impact because it measured only graduates and not the higher wages earned by many students such as working adults who carry specific courses but do not earn a degree or students earning a certificate of General Education Development (GED) or a High School Equivalency Diploma (HSED) at technical colleges.

Other significant WTA findings include:

- Public tax dollars used to educate students in 2005-06 created \$2.8 billion in economic output, a return of nearly \$4 for every \$1 invested.
- Every tax dollar invested in 2005-06 technical college graduates will yield nearly \$6 dollars in additional earnings. Over their lifetimes, these graduates will pour more than \$2 billion in additional earnings in Wisconsin's economy.
- Each year, tax dollars invested in the education of more than 409,000 citizens cycle through the economy, creating substantial economic output, jobs, and earnings.
- The additional impact of the technical colleges in terms of social benefits, such as reduced crime and fewer demands on social services, was not included in the study.

The Wisconsin Technical College System is vital to the health and wealth of the State's economy. We want to be held accountable to the public we serve and believe we are. Thank you again for the opportunity to provide this testimony.





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Testimony of John Lukas
Before the Joint Legislative Committee on Audit
Audit 07-2 WTCS Personnel Policies and Practices
May 23, 2007

Co-Chairpersons Sullivan and Jeskewitz and Members of the Committee,

I'm John Lukas, vice president of LDI Industries headquartered in Manitowoc. We are a manufacturer of hydraulics equipment with 150 employees at our Manitowoc plant and approximately 250 total employees. I have served as an employer member of the Lakeshore Technical College District Board since 2001, and I am president-elect of the Wisconsin Technical College District Boards Association representing the 144 board members of our 16 technical college districts statewide. I've also been active in regional workforce development activities and in supporting Wisconsin's manufacturing sector.

Lakeshore Technical College, like each Wisconsin Technical College, closely tailors its programming to meet the needs of business and industry and our local citizens. We provide students with the specific skills they need to go into good jobs in our region. As a manufacturer, I value this model and see its positive impact on our economy and on individual students' quality of life. I'm proud to be serving on a board that assures the delivery of well-trained workers and that promotes higher incomes and economic growth.

As a manufacturer, LDI Industries stays competitive by making sure we can hire and continuously train employees with the most up-to-date skills using the most up-to-date technology. For example, the machining technology we use today has changed very rapidly and the technical college instructors in related fields must be on the leading edge of that technology to train our workers so we can stay competitive. This is true across many fields that affect manufacturing. As just one of many examples, industrial electricians must understand today's machinery, technology, and manufacturing processes if we are going to keep our plant operating.

Much of the audit focuses on faculty salaries even though there is no specific recommendation in this area. I want to share a few thoughts with you as someone who competes for employees in my private and my public sector roles. LTC and all of our technical colleges compete in the private sector marketplace for talented professionals to teach our programs. Our faculty must have real-world professional experience and

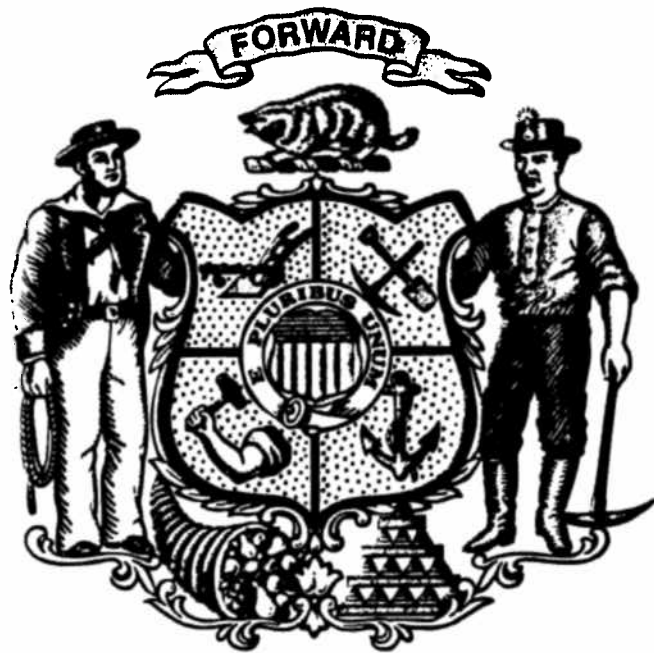
background. They must be excellent professionals in their field. Besides needing to compete with the private sector, accrediting bodies and other factors may also require the individual have special experience, training, and/or an advanced degree.

For example, our 2-year associate degree nursing graduates take the RN exam, pass at just as high a rate as 4-year graduates, and overwhelmingly become employed in Wisconsin. The median income for our 2005 nursing graduates six months after graduation was \$44,684. The instructors in this program must be excellent veteran nurses with a minimum of a masters degree. They are the type of professional who is highly sought for leadership positions in the private sector such as hospital and clinic nursing managers. This is an example of the market we are competing in for instructors in many of our programs.

LTC also has faculty who work well over a fulltime load to meet specific and urgent needs. We are currently training specialized welders to meet the needs of a major area employer. Because of the skills required to teach these students, we have one instructor who has been teaching well over fulltime, including classes and labs at night and on weekends. We will hire an additional instructor or instructors over time if the employer demand continues for these workers and if we can also find a qualified instructor or instructors to hire. Right now, however, we needed to move very quickly to assure this employer could bring these jobs to our community as quickly as possible.

As a manufacturer, a citizen, and as an LTC District Board member, I welcome the audit and thank you for this effort. In private business and in public business, an audit is an important tool for improvement and accountability. All of our districts are working with the WTCS to implement the audit's recommendations. We appreciate your partnership with us in supporting good stewardship.

Thank you.



Testimony on the WTCS Personnel Practices Audit
Before the Joint Legislative Audit Committee

Pat Smoody
Gateway Technical College Instructor
May 23, 2007

Co-chairs Sullivan and Jeskewitz, members of the Committee – hello, my name is Pat Smoody. I am an Office Technology instructor at Gateway Technical College and president of the college's faculty union, the Gateway Technical Education Association – a WEAC affiliate.

Today, I'd like to touch on several important points that are often omitted from discussions of the WTCS personnel practices audit.

Allow me first to address the issue of "overloads". The audit correctly reports that many full-time faculty in the technical college system – including many at Gateway – work in excess of a 100% workload. Faculty receive extra compensation for this extra work – commonly called an "overload". However, the audit fails to report that the practice of assigning overloads is way for technical college districts to hold down personnel costs.

If existing faculty were barred from accepting overloads, technical college districts would have to pay additional health insurance, Social Security, Medicare, and other benefits to the new faculty hired to cover the extra work. Northeast Wisconsin Technical College, for example, estimates that assigning overloads to existing faculty saves the college \$650,000 per year¹.

Second – the issue of settlement agreements. The audit also reports that the use of settlement agreements is more common in the technical colleges than in the UW system. However, the audit does not mention that settlement agreements are often an effective means of limiting litigation costs. Personnel disputes are a fact of life in every employment context. Negotiated settlement agreements are a responsible way for employers to limit liability AND reach mutually acceptable resolutions to personnel issues.

That being said, we do believe that settlement agreements must be used judiciously. GTEA strongly opposes the type of "golden parachute" agreement negotiated by the Gateway Board several years ago and brought to light in the Legislative Audit Bureau's letter report of August, 2005.

¹ Habeck, Phyllis. "Comparing Tech College Pay Omits Some Key Facts". Green Bay Press-Gazette. March 25, 2007

Stan Johnson, President
Dan Burkhalter, Executive Director

Finally, I would like to address the issue of post-employment benefits. As the Legislative Audit Bureau correctly notes, new accounting rules will require technical colleges to report the accrued liability for non-pension post-employment benefits.

The Legislative Audit Bureau recommends the technical colleges report on plans for addressing post-retirement benefits costs. We agree. Responsible administrators should have a plan to meet collectively bargained obligations.

However, we must make the following points regarding post-retirement benefit costs:

- We must guard against overstating the impact unfunded post-retirement benefit liabilities will have on a college's credit rating. It is true that the issue of post-employment benefits has caught the attention of Moody's, Standard & Poor's and others in the business of analyzing credit worthiness. But the credit rating firms examine a multitude of factors when analyzing credit worthiness – not just the size of a college's unfunded post-retirement benefit liability.

We also must remember that Wisconsin's technical colleges collectively have the strongest credit worthiness of any community or technical college system in the country according to Moody's Investor Services².

And credit rating firms do not anticipate a large-scale deterioration in credit worthiness based on the reporting of post-employment liabilities. Standard and Poor's recently wrote – and I quote:

We believe that, with or without the pre-funding of OPEB liabilities, most employers will be able to continue to meet their ongoing OPEB cost requirements without an adverse effect on credit quality³.

- Neither the credit rating firms, nor the Government Accounting Standards Board require that pre-funding be part of a college's plan to address post-employment benefit costs. In some cases, pre-funding is a prudent long-term approach. In other cases, pre-funding may cause short-term financial instability and disrupt the services colleges are able to provide.
- Plans to address post-retirement benefits costs should not be developed hastily. Colleges should take time to work with stakeholders in developing responsible plans.

² Moody's Investors Services. "Special Comment: Strong Credit Quality Expected to Continue for Wisconsin Technical College Districts". May, 2006.

³ Standard & Poor's. "OPEB Liabilities Pose Minimal Near-Term Rating Risk for Public Finance Credits". December 4, 2006. Page 2.

*Every kid
deserves a
Great School!*

- Recognize that the college's plans to address liabilities need the flexibility to change over time with changing financial conditions.
- If colleges determine that pre-funding the post-retirement benefit liability is a prudent step to take, all funds for this purpose should be safeguarded in an irrevocable trust. Doing so ensures that funds set aside for retiree benefits will be available when needed.
- Finally, post-employment benefit plans should not be used as an excuse to engage in regressive bargaining tactics that seek to roll-back collectively bargained benefits.

As I close today, I want to remind you of how important the technical colleges are to Wisconsin.

The Wisconsin Taxpayers Alliance reports the technical colleges annually generated \$6.9 billion in economic activity in the state of Wisconsin⁴. When considering this truly impressive number, it is important to remember that this economic activity isn't created by magic. Rather, the technical colleges' imprint on our economy is a result of the highly skilled and knowledgeable instructors in our classrooms.

Any Wisconsin resident can attend one of our 16 institutions and receive the best technical education available in the country.

The colleges work hard to make certain this education is of a superior quality and highly relevant to the labor market demands of Wisconsin employers. In fact, the colleges offer programs in 16 of the 25 fastest growing occupations in the state⁵. Over 300 degree programs are offered in total – from nanotechnology to police science – ensuring the colleges serve the entire spectrum of our highly varied economy.

The colleges also directly serve Wisconsin businesses through technical assistance programs and incumbent worker training.

None of this would be possible without the highest quality instructors and staff – individuals that are in high demand in the job market.

Thank you for your time today.

⁴ Wisconsin Taxpayers Alliance. *Growing Wisconsin's Economy: The Economic Impact of Wisconsin's Technical Colleges*. April, 2007.

⁵ Comparison of DWD employment data and WTCS programs.

*Every kid
deserves a
Great School!*





AFT-Wisconsin

Association of Professionals

My name is Joe Lowndes, and I am a full time faculty member of Madison Area Technical College in the Biotechnology Laboratory Technician Program. I have a Bachelor of Science in Biology from the University of Notre Dame, and a Master of Science and Ph.D. in Biochemistry from the University of Wisconsin-Madison. I did a postdoctoral fellowship and worked for a small biotechnology company in Colorado before returning to Wisconsin to teach at Madison Area Technical College.

I am currently president of the MATC faculty union, AFT Local 243.

I am here to testify for informational purposes only, and to provide some background from the faculty perspective about the WTCS audit. Thank you so much for your time, and I will keep my testimony brief.

According to the MMAC, WMC, Deloitte and Manpower the single biggest problem facing Wisconsin's businesses and economy is a shortage of skilled employees. This problem will intensify as more and more baby boomers retire during the next decade. The WTCS is Wisconsin's institution designed to address this problem by providing education and training to the state labor force.

A technical college education is not only valuable for people entering or re-entering the workforce, but it is a powerful engine for economic development in Wisconsin. A recent report released by the Wisconsin Taxpayers' Alliance estimated:

"The \$1.03 billion of 2005-06 WTCS spending that remained in the state helped to generate \$2.82 billion of state output. Furthermore, additional earnings (above what they would have earned as high school graduates) of current and past WTCS student helped create an additional \$4.09 billion of state output."

In short, every dollar invested in our technical colleges generates more than \$6 in return.

A quick look at the 2006 Madison Area Technical College graduate employment survey highlights this point:

- 89.3 % of the 2006 MATC graduates are employed or seeking employment
- 96.6 % of employed 2006 MATC graduates are employed in Wisconsin
- 97.2 % are satisfied with their MATC education

- Examples of the average salaries for our Associate Degree graduates include:
 - Nursing: \$46,000
 - Dental Hygienist: \$46,000

- Photography: \$57,000
- Paralegal: \$34,000
- Web Programmer: \$44,000
- Real Estate: \$57,000
- Examples of the average salaries for our Technical Diploma graduates include:
 - Industrial Maintenance: \$40,000
 - Law Enforcement Academy: \$40,000
 - Surgical Technologist: \$38,000

Our technical colleges are so successful because of the vast diversity of curriculum offered and the top-notch faculty who use their expertise to teach; to share what they know with their students. Many faculty could earn much more in the private sector, but they choose to teach.

A member of my union at MATC, a life-long dyed-in-the-wool republican, was very upset with a March 2007 Wisconsin State Journal article regarding the audit. A member of the assembly was quoted in the article as saying that the benefits and salaries in the technical college system were out of control.

My colleague is a licensed CPA and a licensed attorney in Wisconsin. He has taught accounting at MATC for 21 years. He points out that new Accounting PhDs with no teaching experience are commanding starting salaries that are 50 to 90% higher than his. New CPAs with no prior accounting experience begin work for national accounting firms with salaries in excess of \$50,000 per year. He says: "My colleagues at MATC are hard working dedicated instructors who are performing a valuable service for this community. I believe we are making a positive difference in our student's lives and our community as a whole. That is why I teach and will continue to do so until I retire."

Although it is unrealistic to match the private sector salaries, we have to remain competitive to continue to attract the best and brightest faculty to the Wisconsin Technical College System. The reason our graduates are so successful is because they learn from the very best in their fields. Graduates of our police and fire science, homeland security, aircraft engine mechanic, nursing and emergency medical technician programs make life and death decisions every day.

I think it makes sense that we want first-rate instructors teaching the students who will provide medical care to our loved ones, work in our business offices, repair the breaks on the cars we drive, and protect the safety of the planes we fly in.

I want to thank this committee for taking the time to hear testimony today, and I want to thank this committee for undertaking this audit. The report reminded us of the tremendous investment the State makes in our Wisconsin Technical College System; that investment, in turn, provides the dividend of a bright future for our students, our families, and our communities.

Thank you for your time.





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May 24, 2007

Joint Audit Committee Holds Public Hearing on WTCS Personnel Policies and Practices Audit Report

The legislature's Joint Committee on Audit held a public hearing on Wednesday, May 23rd, on the WTCS Personnel Policies and Practices audit report. The audit was conducted by the Legislative Audit Bureau (LAB), a non-political service agency of the legislature. As reported earlier, the audit reviewed technical college salaries, benefits and workloads, sick leave and vacation reporting, the use of retainer agreements for services, settlement agreements with departing staff, and sabbaticals. See the conclusion of this report for web links to the audit report and selected hearing testimony.

The hearing began with an overview for committee members by State Auditor Jan Mueller and Deputy State Auditor Paul Stuiber. Much of the questioning from committee members centered on the districts' OPEB (other post-employment benefits) liabilities. These are primarily the unfunded future costs to provide retiree health insurance obligations. They must be reported on the colleges' financial books (but not actually funded) in the next few years because of new public accounting standards.

The LAB noted that most districts had already addressed OPEB funding and had plans for covering the liability. The committee focused its questions on larger liabilities at MATC Milwaukee and Waukesha County Technical College. State Auditor Mueller noted that this issue applies broadly to school districts and many other local governments in addition to technical colleges. The WTCS has already agreed to report back to the audit committee on OPEB by September 1st.

Committee members wondered aloud if the legislature will be asked to fund a "fix" for this in the future for various local governments. This led to a discussion of technical college bonding authority and operational versus debt mill levies. In his later testimony, WTCS President Dan Clancy would note that Moody's Investor Services last year rated the WTCS as having the highest quality credit ratings of any community or technical college system in the nation.

After the LAB briefing, invited testimony was presented by a team of President Clancy, Mid-State President John Clark, and Lakeshore District Board member John Lukas. Lukas testified in his roles as a manufacturing executive and as president-elect of the District Boards Association. The team testimony and response to members' questions focused on a number of issues including:

- The WTCS's and districts' commitment to comply with each of the audit's recommendations.
- Plans to address OPEB funding issues.
- Faculty compensation and WTCS market competition with the private sector for talented instructors who have solid industry experience as well as meeting academic and other qualifications.
- The WTCS role in economic development and findings of the recent Wisconsin Taxpayers Alliance economic impact study.
- Distinctions between technical/occupation faculty and those teaching in general education or at pre-postsecondary levels.

- Why district faculty and presidential compensation and benefits vary by district.
- Healthcare benefits costs and attempts to reduce cost increases.
- Specific issues related to district sick leave reporting and sabbatical reporting.

Committee members several times noted the importance of the WTCS role in economic and workforce development. Co-Chairs Senator Jim Sullivan (D-Wauwatosa) and Representative Sue Jeskewitz (R-Menomonee Falls) reflected on a recent business breakfast at Waukesha County Technical College and the strong support expressed for the college by business and industry. The committee acknowledged the importance of John Lukas's testimony as a manufacturer who counts on technical college training for skilled workers.

Following the invited testimony, each of our faculty organizations rounded-out the testimony. Dr. Joe Lowndes, a faculty leader and instructor in MATC-Madison's Biotechnology Technician Program, spoke representing AFT-Wisconsin. He was followed by Pat Smoody, a faculty leader and Office Technology instructor at Gateway Technical College representing WEAC.

Overall, the tone was congenial and the questions were fair and were targeted to the audit report itself. Some of the discussion concerning remedial and basic education instruction and faculty compensation for those services veered toward K-12 issues and a general discussion of preparedness more than focusing on the WTCS. Witnesses recognized the value of an audit as a tool for accountability, stewardship and future planning. Committee members recognized the important value of Wisconsin Technical Colleges despite the fact there likely remains some concern about OPEB, and WTCS salaries and benefits among a few committee members.

There is no required next step or additional formal process other than the WTCS letter on OPEB due September 1st. The Committee will want some confirmation of attention to the other audit recommendations and the WTCS will want to assure it's provided. This could be in the form of additional letters or could trigger a future committee hearing if the co-chairs or enough committee members wish to do so.

Web Links:

For a PDF file of hearing testimony by Dan Clancy, John Lukas and John Clark, see:
<http://www.districtboards.org/advocacy/audittestimony.pdf>

For the LAB highlights and the full audit report, see the LAB site at:
<http://www.legis.wisconsin.gov/lab/CurrentReportsByDate.htm> (scroll to Audit 07-02).




WISCONSIN
TECHNICAL COLLEGE
SYSTEM

July 23, 2007

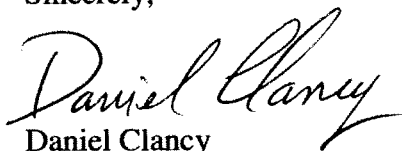
Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Sullivan and Representative Jeskewitz:

This letter is in response to your July 12, 2007 correspondence requesting confirmation that all eight Technical College districts identified by the Legislative Audit Bureau have adopted written policies regarding terminating employment for employees convicted of felonies. I am pleased to report that all eight districts have adopted such a policy.

I would like to again thank you for your continued support of the Wisconsin Technical College System. If you have any further questions regarding this matter, please do not hesitate to contact me.

Sincerely,



Daniel Clancy
President

DC:JEZ:kss
cc: Janice Mueller, State Auditor

Daniel Clancy, President

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September 4, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Sullivan and Representative Jeskewitz:

This letter is in response to a recommendation from the Legislative Audit Bureau in its March 2007 report entitled *Personnel Policies and Practices*. The Audit Bureau specifically requested a report on the technical college districts' plans for addressing other post-employment benefits (OPEB) costs.

In 2004, the Governmental Accounting Standards Board (GASB) established new rules requiring public employers such as state and local governments to recognize OPEB costs for retirees, which largely consist of health care costs, but do not include pension benefits. For fifteen of the technical college districts these new accounting rules take effect in FY 2008-09, while they become effective for Milwaukee Area Technical College in FY 2007-08.

The Wisconsin Technical College System has taken a proactive approach in responding to the new OPEB requirements. The Chief Financial Officers at the technical college districts and System Office staff created a task force in 2003 to provide GASB comments on the draft rules and to study the options and approaches available in meeting the new requirements. As the Audit Bureau noted, the new accounting rules do not require employers to set aside funding for their OPEB liabilities, the rules only require that the cost of OPEB benefits be more fully accounted for and disclosed in their annual financial statements. However, the rules do allow public employers to reduce their OPEB liability by creating and funding a trust to be used exclusively to meet future OPEB obligations. In addition, technical college districts may elect to designate district funds to meet future obligations while continuing to meet current year expenses on a "pay as you go" basis.

The technical college districts have been consulting with independent auditing firms, actuaries, human resource professionals, and legal counsel to create a plan that best suits their particular situation. Retiree benefits and OPEB liabilities vary across the technical college system because each district is a local unit of government with different benefit structures, local issues, and 44 separate collective bargaining agreements with the unions representing faculty and staff. Moreover, each district must consider future cash flow needs, budget constraints, the effect on bond ratings, as well as other financial considerations when developing its plan. Accordingly, each district will have a different approach to funding future OPEB obligations.

Daniel Clancy, President

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Senator Sullivan and
Representative Suzanne Jeskewitz
Joint Legislative Audit Committee
Page 2
September 4, 2007

Although plans will likely change over time, the most recent survey of districts found the following:

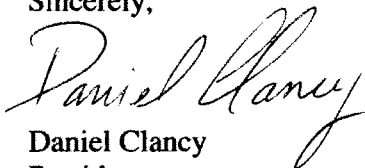
- Five districts—Blackhawk, Chippewa Valley, Fox Valley, Gateway, and Southwest Wisconsin—will continue on a pay as you go basis to meet future OPEB obligations.
- Four districts—Lakeshore, Northcentral, Northeast Wisconsin, and Western—intend to designate district funds to meet future OPEB expenses in addition to their pay as you go obligation.
- Four districts—Madison, Milwaukee, Nicolet Area, and Wisconsin Indianhead—intend to create an irrevocable trust to accumulate funds to meet future OPEB obligations.
- Two districts—Mid-State and Moraine Park—are exploring the benefits of creating an irrevocable trust versus designating district funds to meet future OPEB obligations.
- One District—Waukesha County—has already created and begun funding an irrevocable trust.

In addition, some districts may modify their benefit plans in an effort to minimize future OPEB liabilities. For example, Milwaukee Area Technical College recently negotiated a change in retiree health care benefits for new hires with the union representing its support staff. That agreement increased both the age of eligibility for such benefits and the premium percentage paid by retirees.

The disclosure and funding of OPEB liabilities will pose a challenge for many governmental entities across the state and nation. However, Wisconsin's technical college districts appear to be ahead of many governmental entities in preparing to meet these challenges. As I noted in the audit response, a report by Moody's Investors Service gave Wisconsin's technical college districts the highest bond ratings found in any state technical or community college system in the nation, demonstrating a history of prudent financial management. Moody's also concluded that the districts' high-credit quality will likely continue in the future due to their healthy reserves and manageable debt levels.

I would like to again thank you for your continued support of the Wisconsin Technical College System. If you have any further questions regarding this matter, please do not hesitate to contact me.

Sincerely,



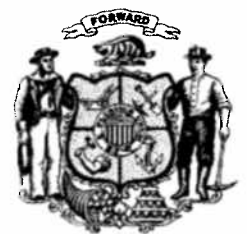
Daniel Clancy
President

DC:JEZ:kss

cc: Janice Mueller, State Auditor



WISCONSIN STATE LEGISLATURE



WTCS Audit – Briefing notes

Trouble for the tech schools – high salaries – national norm – role of tech schools vs. 2 yr vs. 4 yr

Pg. 15, Table 3 – MATC represented 25% of total, % is avg.

Pg. 17, table 5 – staff by type – Milw had almost double of Madison for Admin – FT & PT

Pg. 19, Table 7 – 6 union groups, 44 agreements – 65% of all employees (almost all faculty covered) – Sue – supports staff represented by WEAC? – yes – the largest

Pg. 23, table 9 –

Pg. 24, table 10 – bulk 51% of faculty work at Milw

Pg. 25, table 11 – Milw faculty work less (32 hours/wk) than at any other TC – easier to work overtime when work week is shorter

Sue - Understand salary of Pres, but the faculty...

Paul – Milw typically has contracts for all administrators

Pg. 28, table 13 – majority, 83.4% of additional workload associated teaching additional Courses – so if smaller number of expected hours allow for more overtime (Milw – 60% of base rate – w/ a 32/hr workweek as jumping off point – start at 33rd hour)

Jan - \$3M sample only – extrapolate – w/b a chunk of change

Sue – do we know how many faculty work more than FT

Paul – 68% of FT faculty work more (pg. 26)

Sue - c/b accruing up to 20 hours a month – based on a 40hr/wk

Jan – UW faculty is going to march on the Capitol!

Pg. 31, table 15 – 7 of 10 TC districts pay more than the 4yr UW in their district

Pg. 38, table 21 – Milw - \$228.6M – more than their current annual operating budget (\$225M) – will have to bond for it or shut down – primarily health insurance, not pension (\$4.8M bonds for pension annually) – benefits already earned by current and retired employees (free lifetime health insurance)

Sue – no newly hired employees included? – correct

Sue – include accrued sick leave benefits? – Yes, if it convertible –

Jan – typical to be able to retire after 15 years and 55 yrs old and have health insurance paid.

Pg. 46, table 25 – very diff from UW – all numbers are larger at TC than UW – reported much more

Paul - Supervised more closely? Sue – if I don't need it, I might as well use it? TC have health insurance for life? Jan – UW can take it and bank it b/c no one watching? Surprising to Jan that Madison has no IT system in place for reporting of sick leave

Pg. 53, table 31 – Sabbaticals

Sue – why would a support staff take a sabbatical?

Paul – IT person? Learn new program? Not always a full semester

Pg. 56, table 32 – retainer agreements

Pg 61-63, table 33-35 – settlement agreements – 81