

**SPECIAL LEGISLATIVE COUNCIL STUDY COMMITTEE ON THE REVIEW OF  
WISCONSIN TECHNICAL COLLEGE SYSTEM FUNDING AND GOVERNANCE**

Testimony from Josh Dukelow, Fox Cities Chamber of Commerce

July 24, 2014

Good afternoon Representative Nygren, Senator Harsdorf, and members of the committee, and thank you for the opportunity to speak with you today.

I am Josh Dukelow, Vice President of Public Policy and Leadership at the Fox Cities Chamber of Commerce in Appleton. We serve members and employers throughout Calumet, Outagamie, and portions of Winnebago Counties in east central Wisconsin.

Prior to my role in government affairs, I worked for 2 years with the Fox Cities Regional Partnership – the economic development division of the Fox Cities Chamber. I was responsible for meeting with primary employers in our area to address their challenges.

During my time at the Chamber I have spoken with scores of employers and hundreds of members, and the most common theme in these conversations has been the need for reliable workers. Financing, regulation, and other issues are important, but workers are the key to sustained economic growth.

Without skilled employees a CEO cannot expand his company. Without trained workers a company cannot fulfill new, larger orders from customers. In short, without a high-quality workforce our economy cannot grow. And growth is the goal we all share.

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The charge of this Committee is clear: you are to review the governance model of the Wisconsin Technical College System in the interest of transferring responsibilities to the state board, and examine funding with a preference toward a broader state tax source.

Over the past several years Wisconsin has seen tremendous changes in state law that have improved our business climate. These changes have shifted bureaucratic thinking to a mindset of supporting and advancing businesses, and attracting employers here.

The changes expected from your committee will continue in this direction, but I strongly urge you all to consider the full potential ramifications of any changes on the entire economy, not just on the Technical College System. What we might gain from a shift in tax burden or an increase in accountability could cost us the very adaptability and local relationships that make our state's technical college system the envy of the nation.

The committee's work has two parts, and I will take each in turn. First, governance.

**First, the local nature of technical college governance fosters the creation of local partnerships that leverage investment from employers in targeted programs.**

Major employers like Miller Electric, J. J. Keller, and Oshkosh Truck investment resources and equipment in specific programs at Fox Valley Tech in order to expand training programs for workers who are often hired by these companies and others.

Local relationships give these employers confidence that their investments will enhance their workforce and their customer-base. It is uncertain whether investments like these will continue in a centralized system, and if they disappear additional state funds will have to fill the gap to maintain essential program investments.

**Second, local investment allows for specialized programs to serve local needs.**

Each technical college district currently has the freedom to pursue specialized programs designed to meet the needs of their local employers and workers. Job skills and training that are in high-demand in one part of the state may not be needed in other areas.

Because program investments are directed by local decision-makers, each district is able to quickly and flexibly respond to the needs of their region's industries. This promotes efficient allocation of resources to support widespread economic prosperity.

Additionally, major investments like those made at Fox Valley Tech in their Health Simulation Center and Public Safety Training Facility can produce educational assets that will attract customers from around the country, stimulating the state economy in a different way by bringing people in to train for days or weeks at a time.

**Third, local decision-making promotes local needs over partisan considerations.**

The way that district boards are chosen does not provide taxpayers a direct redress at the ballot box. If voters don't like a decision made by their local tech college they don't have a way to exercise accountability directly on those decision-makers. However, this could be true with a state level board as well.

Freeing these volunteer leaders from the demands of electoral campaigning contributes to their independence and allows them to focus on meeting the needs of employers and workers, rather than pleasing constituents and special interest groups.

**The desire for accountable decision-making is understandable, but centralization won't necessarily address this concern. I ask the committee not to underestimate the value of local relationships that leverage local investment and lead to regional specialization and responsive worker training that will grow our economy.**

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Now, I will address funding of the Technical College System. The question of taxes and spending in Wisconsin has been burning hot for years. Recently the state has made significant progress in getting local tax burdens under control and improving our reputation among business leaders. We hear this from our members all the time.

Continued work on this important goal is needed, but we must proceed with caution. Pursuing policies that will further reduce the overall tax burden in the state is the right move, but the committee must fully consider all of the implications and consequences of any funding change. Not all public investments are equal. Some have a far greater return to our economy than others, and should be protected to advance our shared economic development goals.

**First, technical colleges are an important piece of our workforce development system, and we will have to fund them one way or another.**

Reassigning the property tax portion of tech college revenues to another state tax source does not create tax savings. The same people who pay property taxes to support technical education pay municipal taxes to support law enforcement, pay school taxes to fund primary education, pay income taxes to fund state services and pay sales taxes when they shop or dine. To maintain our premiere educational resources in Wisconsin we will have to pay one way or another. Your job is to find the best way.

**Second, not all funding sources are equal, and some are riskier than others.**

Recently the Wisconsin Taxpayers Alliance did a comprehensive study of tax burdens comparing states based on the different types of taxes levied. They concluded that Wisconsin residents face a generally higher property tax burden, and generally lower ~~income and sales tax~~ income and sales tax burden, compared to other states.

Property taxes fall squarely on the shoulders of property owners in Wisconsin. While some classes of property are exempt, the tax is generally a steady and predictable source of revenue for local government. This is one of their key advantages.

Income and sales taxes are spread across workers and consumers, with more exemptions and higher administrative costs. This reduces their efficiency and increases compliance costs, especially for businesses.

Sales and income taxes are also pro-cyclical, which means that when the economy is expanding these sources go up, and when the economy is weak the revenues are reduced. Given the essential role our tech colleges have in retraining workers and helping our state weather economic downturns, it may be risky to tie them to a funding source that will be diminished at the time their services are needed the most.

Finding the "right answer" is up to this committee, but these factors must be considered.

**Another factor to consider: tech college property taxes contribute to Tax Increment Financing, bolstering local economic development efforts.**

Shifting the technical college tax burden will have effects beyond the colleges themselves. Like all local property tax levies, tech college levies are siphoned off into TIF Districts to fund infrastructure and development in targeted areas.

Removing the technical colleges from the property tax rolls would mean one source of TIF funding would be removed. This would mean fewer dollars in the TIF pool, leaving local governments with smaller project budgets and longer pay-back periods.

Our local governments already struggle to compete with the incentive and tax-abatement packages employers are offered in other parts of the country. TIF is the best tool we have, so weakening this tool will certainly weaken our local economic development efforts when we are trying to support good jobs in Wisconsin.

**The Wisconsin Technical College System is more than just an investment in worker training and education – it is an investment in economic development.**

In October of 2013 the Fox Cities Regional Partnership hosted eight site selection consultants for a familiarization tour of our area. We showcased commercial and industrial sites for development, as well as cultural and educational amenities.

By far the most praise was for Fox Valley Tech. These professionals work with top-level companies to scout the best location for expansions, and they couldn't say enough about how valuable a technical education system of this quality would be to their clients.

In short: they were blown away. They had all seen community colleges and vocational education programs, but none of them had seen anything like this before. The state-of-the-art equipment (often procured at no charge from local companies) and diversity of programs (catering to local needs) prompted them all to say we needed to market this asset in our economic development messaging to attract employers to our area.

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As I said, Wisconsin's Technical College System is the envy of the nation. Like so many other things, Wisconsin shows the rest of the country how to do it the right way.

But that doesn't mean the system can't be improved. I encourage the committee to look to other states and countries for models from which we can learn. We should adopt new systems of funding or governance that will improve the value we get from tech colleges.

But we need to make smart reforms and avoid unintended consequences. So long as we can preserve those features that make the system so successful – adaptability, specialization, responsiveness, and local influence – everyone will benefit.