



WISCONSIN LEGISLATIVE COUNCIL

REVIEW OF WISCONSIN TECHNICAL COLLEGE SYSTEM FUNDING AND GOVERNANCE

Room 411 South
State Capitol

July 24, 2014
10:00 a.m. – 3:30 p.m.

[The following is a summary of the July 24, 2014 meeting of the Study Committee on the Review of Wisconsin Technical College System Funding and Governance. The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.state.wi.us/lc>.]

Call to Order and Roll Call

Chair Nygren called the committee to order. The roll was called and a quorum was determined to be present.

COMMITTEE MEMBERS PRESENT: Rep. John Nygren, Chair; Sen. Shelia Harsdorf, Vice Chair; Reps. Debra Kolste and Thomas Weatherston; and Public Members Bruce Barker, Allen Buechel, Dan Conroy, David Dull, Stephen Kohler, Susan May, Joseph Sheehan, David Stark, Dennis Treu, and Mark Tyler.

COMMITTEE MEMBERS EXCUSED: Rep. Cory Mason; and Sen. Jennifer Shilling.

COUNCIL STAFF PRESENT: Dan Schmidt, Principal Analyst; and Mary Matthias, Principal Attorney.

APPEARANCES: Terry Anderson, Director, Legislative Council Staff; Senator Luther Olsen, Co-Chair, Joint Legislative Council; Representative Joan Ballweg, Co-Chair, Joint Legislative Council; Dan Schmidt and Mary Matthias, Legislative Council Staff; Dave Loppnow and Christa Pugh, Legislative Fiscal Bureau; Morna Foy, President, Wisconsin Technical College System (WTCS), and Andrew

Petersen, President, WTCS Board; Melanie Holmes, Milwaukee Area Technical College (MATC) District Board and Dave Minor, Wisconsin Indianhead Technical College (WITC) District Board; Joe Murray, Wisconsin Realtors Association; Todd Berry, Wisconsin Taxpayers Alliance; Mike Birkley, Wisconsin Property Taxpayer's Inc.; Jason Culotta and Chris Reader, Wisconsin Manufacturers and Commerce (WMC); and Josh Dukelow, Fox Cities Chamber of Commerce.

Opening Remarks

Senator Olsen and Representative Ballweg, Co-Chairs of the Joint Legislative Council, welcomed committee members and thanked them for serving. They provided background on the selection process for this interim's study committees and committee members. They also discussed the important role of Legislative Council committees in developing legislation on topics of interest to the Legislature and the history of successful passage of Legislative Council committee legislation.

Terry Anderson, Director of the Legislative Council Staff, also welcomed committee members. Immediately preceding the meeting, he provided background information on the history of the Legislative Council committee process and logistical information for public members at their orientation.

Introduction of Committee Members

Chair Nygren welcomed the members of the committee and invited them to introduce themselves and briefly discuss their interest or involvement in the funding and governance of technical colleges.

Presentations by Staff

Links to the PowerPoint presentations and written materials provided by the staff may be found on the committee's website [<http://docs.legis.wisconsin.gov/misc/lc/study/2014/1190/>].

Dan Schmidt and Mary Matthias, Legislative Council Staff, briefly described the contents of Staff Brief 2014-05, *Funding and Governance of the Wisconsin Technical College System*, dated July 11, 2014.

Dave Loppnow and Christa Pugh, Legislative Fiscal Bureau, described the information contained in the memorandum they prepared for the committee titled, *Overview of WTCS Revenues and Enrollment*, dated July 24, 2014.

Presentations by Invited Speakers

Links to PowerPoint presentations and written materials provided by the invited speakers may be found on the committee's website [<http://docs.legis.wisconsin.gov/misc/lc/study/2014/1190/>].

Morna Foy, President, WTCS, and Andrew Petersen, President, WTCS Board

Mr. Petersen described how Wisconsin technical colleges collaborate with Wisconsin businesses and industries to provide specialized training and offer educational programs in high-demand fields. He explained that this collaboration leads to high rates of job placement for technical college graduates and benefits to the Wisconsin economy. He said WTCS graduates tend to find jobs in their field of study and remain in Wisconsin. He supports the current model of funding the WTCS from a balance of sources. He said that reliance on state funding to the exclusion of the property tax is not desirable because of the volatility of state revenues, especially in times of economic downturns, which is precisely when many state residents seek additional training at technical colleges. He also discussed how the recently developed performance-based funding system will increase the accountability of technical colleges to the taxpayers.

Ms. Foy said she supports the current systems of governance and funding of the WTCS, which is recognized nationally and internationally as an exemplary technical college system. She said that although reliance on the property tax has grown since the mid-1990s, state support for the WTCS has decreased significantly, which has placed upward pressure on property tax levies and tuition rates. Because they have taxing authority, local districts are considered to be municipalities and have their own bond ratings, which are quite high, which enables districts to borrow money at better rates than the state can. She said the transparency of the property tax makes the WTCS more accountable to taxpayers and creates a sense of local ownership. In the past 10 years, local referenda authorizing \$350 million in excess tax levies have been approved.

With regard to governance, Ms. Foy discussed the difficulties colleges would have maintaining strong relationships with local business and industries if system governance were centralized. She said the current system provides for necessary checks and balances and the ability to implement statewide goals, while allowing sufficient autonomy for each district to meet local needs.

In response to questions, Ms. Foy discussed plans of representation, performance-based budgeting, and accreditation requirements.

Melanie Holmes, MATC District Board, and Dave Minor, WITC District Board

Ms. Holmes described her experiences on the MATC Board. She has been impressed by the responsiveness of the college to the needs of local businesses. She said each board member has a strong connection to local industries and an understanding of emerging workforce needs, and most MATC graduates remain in the area. She supports the current funding model

which she said creates a sense of local ownership. She stated that it is important for local boards to retain the ability to borrow and repay money since it allows them to be nimble and respond quickly to local needs. She is concerned that changing the model might have unintended negative consequences.

Mr. Minor said from his perspective as a resident of far northern Wisconsin, centralizing administration of the WTCS in Madison would be problematic. He said that since the WITC Board must make an effort to communicate effectively with just the four campuses it administers, effective administration of the entire system from Madison would not be possible. He said the current funding and governance systems are working well, and in fact WITC was recently voted the fourth best two-year college in the United States.

Mr. Minor and Ms. Holmes responded to questions regarding technical college foundations, limitations on student access due to tuition costs, issuance of bonds by local boards, the process of appointing members to local boards, and communication between technical college boards and county boards and taxpayers.

Chair Nygren commented that it may be possible to change the model of funding technical colleges while leaving the current governance system in place.

Joe Murray, Wisconsin Realtors Association

Mr. Murray stated that the Wisconsin Realtors Association supports the recent buydown of the technical college property tax levy. He explained that high property taxes negatively affect the affordability of homes, and compared to other states, Wisconsin is overly reliant on property taxes. He provided statistical information on property tax levels in the United States. He said that history shows the only effective way to create meaningful property tax relief is to completely remove the property tax as a source of revenue for a government function. He noted that WTCS tuition levels are lower than technical and community college tuition rates in many other states.

Mr. Murray said the Wisconsin Realtors Association supports local control of technical colleges but believes it is important to keep an open mind regarding modifying the system of WTCS funding. In response to questions, Mr. Murray pointed out that property tax revenues do not respond to changing economic conditions as sales and income taxes do. Chair Nygren commented that the property tax is reliable because it is the only tax that a person cannot avoid paying, even in difficult economic times when the tax may be very burdensome to taxpayers.

Todd Berry, Wisconsin Taxpayers Alliance

Mr. Berry provided a wealth of historical data on property taxes in Wisconsin and discussed different perspectives regarding the use of property taxes to fund technical colleges. He discussed the principles of a good revenue system identified by the National Conference of State Legislatures, and principles for determining state vs. local responsibility for different governmental functions. He pointed out that Wisconsin has relatively high income and

property taxes and low sales taxes. He said one-half of the amount of tax revenue collected by the state and deposited into the general fund is eventually distributed to local governments.

In response to questions, Mr. Berry discussed the concept of instituting a payroll tax to fund the technical colleges. He said if this model were used, the WTCS should be governed by a board of employers, since they would be funding the system. Mr. Tyler discussed the idea of a tax on WTCS graduates that would operate in a manner similar to tax incremental financing. He also suggested increasing the availability of need-based financial aid for students.

Mike Birkley, Wisconsin Property Taxpayer's, Inc.

Mr. Birkley stated that he does not believe that the property tax is an appropriate source of funding for higher education. He said local control should be maintained, but district boards should be required to submit a budget for approval by the state board. He suggested that the personal property tax be considered as a funding source, as currently only businesses pay personal property taxes. He also commented that many properties that receive municipal services are currently exempt from paying property taxes.

Jason Culotta and Chris Reader, Wisconsin Manufacturers and Commerce (WMC)

Mr. Reader said that surveys of WMC members indicate that many have very strong and beneficial relationships with their local technical colleges, and the WTCS is very important to Wisconsin's economic development. He described some of the current partnerships between business and technical colleges, but noted that there is still a significant skills gap in Wisconsin and some employers have difficulty finding sufficiently trained workers for certain positions. He described areas of concern, including the need to reduce the stigma around technical education, and the need for the WTCS System to remain focused on local economic development regardless of what reforms may be instituted.

Mr. Culotta's presentation focused on tax policy and technical college budgets. He said Wisconsin taxes rank high as a percentage of personal income. He described recent statutory changes to WTCS finance, including capital expenditure limitations and the replacement of mill rate limits with revenue limits. He said a 2009 Lumina Foundation study showed that Wisconsin had the highest level of state subsidy in the United States for community colleges. He also discussed the obstacles to modifying technical college district boundaries. He suggested that if technical colleges were not funded by property taxes, they would be free to compete with one another and could open satellite campuses in areas outside of their own districts.

In response to questions, Mr. Culotta said he was not sure if other states are experiencing the same degree of shortage of skilled workers as Wisconsin. He said that one cause for the skills gap is the retirement of many trained workers from the manufacturing sector.

Josh Dukelow, Fox Cities Chamber of Commerce

Mr. Dukelow said the number one concern of members of his Chamber of Commerce is the need for reliable workers. He said the WTCS is the envy of the nation. He believes local governance fosters good relationships with area businesses and enables the technical colleges to leverage investments from employers, to the benefit of the local economy. He is concerned that if college governance is centralized, those investments might not continue. He noted that since local boards are appointed rather than elected, the board members are better able to focus on meeting the needs of employers and workers.

Mr. Dukelow stated that although reduction of the tax burden is a valuable goal, it is important to consider that not all public investments are equal. Some have a far greater return to the economy than others and should be protected. Likewise, not all funding sources are of equal reliability. Sales and income tax revenues typically fall during time of economic downturn, which is when technical college training is most needed. He also pointed out that technical college property taxes contribute to tax incremental financing.

Discussion of Committee Assignment

Chair Nygren stated that he would ask staff to gather more information on certain topics that were discussed, including information on revenue sources and governance of technical colleges in other states, the payroll tax concept, and strategies to get the maximum return on investment in the technical colleges. Mr. Barker suggested getting more information about the potential impact of funding modifications on tax incremental financing and local district bonding authority.

Plans for Future Meetings

The next meeting of the Study Committee is scheduled for Wednesday, August 27, 2014, in Madison.

Adjournment

The meeting was adjourned at 3:30 p.m.

MM:ksm