

# Wisconsin Technical College System

(LFB Budget Summary Document: Page 630)

## **LFB Summary Items for Which an Issue Paper Has Been Prepared**

<u>Item #</u>	<u>Title</u>
2	General Aid (Paper #660)

## **LFB Summary Items Removed From Budget Consideration**

<u>Item #</u>	<u>Title</u>
4	Revenue Limit -- 2% Minimum Increase
5	Nonresident Tuition Exemption for Undocumented Individuals
6	Nonresident Tuition Exemption for Certain Tribal Members
7	Nonresident Tuition Exemption for Relocated Service Members
8	Voter Identification Cards

## **LFB Summary Item Addressed in Standard Budget Adjustments (Paper #101)**

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments





## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

May, 2021

Joint Committee on Finance

Paper #660

### General Aid (WTCS)

[LFB 2021-23 Budget Summary: Page 630, #2]

---

#### CURRENT LAW

State aid is provided to Wisconsin Technical College System (WTCS) districts from three major appropriations. Property tax relief aid (\$406.0 million GPR annually) is subject to each district's revenue limit, and therefore reduces its operational levy by an equal amount. State general aid (\$101.0 million GPR annually) is outside of revenue limits and is distributed using a partially equalizing formula and as outcomes-based funding. State categorical aids (\$21.9 million GPR) are used to support grant categories relating to specific types of training and credentials.

#### DISCUSSION POINTS

1. In 2020-21, \$101.0 million GPR is appropriated for state general aids. Of that amount, WTCS was required to lapse \$3.2 million as part of the budget reductions implemented by Governor Evers in July, 2020, to reduce the state's expenditures during the coronavirus pandemic. Of the remaining \$97.8 million, \$68.5 million (or 70%) is distributed using a partially equalizing formula that takes into account each of the 16 districts' costs, full time equivalent (FTE) students, and equalized property valuation. The remaining \$29.4 million is distributed through an outcomes-based funding formula.

2. Under the partially equalizing formula, the two primary factors which determine the level of state aid received by a district are the level of aidable cost and the equalization index. Districts with less property valuation behind each student receive a higher percentage of their aidable costs because they are less able to generate as much property tax revenue at a given mill rate than districts with high property valuations. The principle behind the equalization formula is that those districts with relatively high property valuations behind each student generate more property tax revenue at a given mill rate and, therefore, should receive less state aid per student than districts with relatively low valuations per student.

3. Under the outcomes-based formula, aid is distributed based on each district's performance on performance criteria described in state law, which includes the following: (a) job placement rates; (b) the number of degrees and certificates awarded in high-demand fields; (c) the number of programs or courses with industry-validated curriculum; (d) the transition of adult students from basic education to skills training; (e) the number of and success of adult students served by basic education courses; (f) participation in dual enrollment programs; (g) workforce training provided to businesses and individuals; (h) participation in statewide or regional collaboration or efficiency initiatives; (i) training or other services provided to special populations or demographic groups unique to the district; and (j) implementing a policy to award course credit for relevant education or training not obtained at a college or university. Performance funding in each fiscal year is determined by the district's performance in the three previous fiscal years on seven of the 10 performance criteria, to be selected by the district.

4. Table 1 shows the amount of partially equalizing aid, the amount of outcomes-based funding, and total state general aid received by each technical college district in 2020-21.

**TABLE 1**

**State General Aid Distribution by District, 2020-21**

	<u>Partially Equalizing Aid</u>	<u>Outcomes Based Funding</u>	<u>Total State Aid</u>
Blackhawk	\$2,058,000	\$1,150,200	\$3,208,200
Chippewa Valley	4,219,100	1,793,600	6,012,700
Fox Valley	7,070,400	2,832,500	9,902,900
Gateway	4,670,100	1,981,800	6,651,900
Lakeshore	1,801,400	1,214,900	3,016,300
Madison Area	9,075,800	3,077,000	12,152,800
Mid-State	2,233,100	1,237,900	3,471,000
Milwaukee	11,651,300	3,441,300	15,092,600
Moraine Park	2,193,000	1,684,800	3,877,800
Nicolet Area	651,900	900,400	1,552,300
Northcentral	5,043,400	1,855,900	6,899,300
Northeast WI	6,446,700	2,400,600	8,847,300
Southwest WI	2,025,500	1,063,900	3,089,400
Waukesha Co	2,772,800	1,725,700	4,498,500
Western	5,031,500	1,593,400	6,624,900
WI Indianhead	<u>1,562,400</u>	<u>1,406,000</u>	<u>2,968,400</u>
Total	\$68,506,400	\$29,359,900	\$97,866,300

5. Table 2 shows the amounts appropriated for general aids to WTCS districts and the ratio of general aids to aidable costs since 2010-11. Aidable costs represent expenditures, including debt service, associated with providing postsecondary, vocational-adult, and collegiate transfer programs that are funded by property taxes and state general aids. As the table shows, the percentage of aidable costs funded with general aids has remained relatively steady, with periods in which the percentage

declines followed by an increase resulting from additional general aid. The percentage increased in 2019-20 as a result of a \$12.5 million increase in general aid under 2019 Act 9.

**TABLE 2**

**State General Aids as a Percentage of Aidable Costs  
2011-12 to 2020-21**

	<u>State General Aids</u>		<u>Aidable Costs*</u>		<u>Ratio of Aid to Cost</u>	<u>Change in CPI**</u>
	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>		
2011-12	\$83,534,900	-30.0%	\$852,681,633	-0.7%	9.8	3.2%
2012-13	83,534,900	0.0	860,339,449	0.9	9.7	2.1
2013-14	83,534,900	0.0	873,741,930	1.6	9.6	1.5
2014-15	88,534,900	6.0	881,338,742	0.9	10.0	1.6
2015-16	88,534,900	0.0	895,660,149	1.6	9.9	0.1
2016-17	88,534,900	0.0	908,816,651	1.5	9.7	1.3
2017-18	88,534,900	0.0	931,564,174	2.5	9.5	2.1
2018-19	88,534,900	0.0	943,044,772	1.2	9.4	2.4
2019-20	101,034,900	14.1	973,967,677	3.3	10.4	1.8
2020-21	101,034,900	0.0	977,195,228	0.3	10.3	N.A.

\*Aidable costs are based on district estimates.

\*\*Changes in Consumer Price Index-All Urban Consumers for calendar years 2011 through 2019.

6. Since 2011-12, aidable costs have grown by an annualized growth rate of approximately 1.53% each year. Based on that growth rate, it is estimated that aidable costs will total \$992 million in 2021-22 and \$1,005 million in 2022-23, and the current amount of general aid funding would equal approximately 10.2% of aidable costs in 2021-22 and 10.0% of aidable costs in 2022-23.

7. Property tax increases related to technical colleges are restricted by a revenue limit that prohibits a district from increasing its revenue in any year by a percentage greater than the district's valuation factor (the percentage increase in the district's equalized value resulting from net new construction in the district). For purposes of this revenue limit, revenue is defined as the sum of the tax levy and state property tax relief aid. State general aid is not counted towards the revenue limit. Therefore, any increase in general aid represents an increase in resources for use by technical college districts.

8. WTCS colleges received federal aid under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and the American Rescue Plan Act (ARPA) totaling an estimated \$323.0 million. Of that amount, the colleges are required to allocate a minimum of at least \$128.3 million for student financial aid. The remaining funds may be used for additional student financial aid grants, or for allowable expenses related to the coronavirus pandemic. Additionally, under ARPA, institutions are required to use a portion of their allocation for implementing evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines, and conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent

unemployment of a family member of independent student, or other circumstances. Under the Acts, institutions have one calendar year to use their allocation of funds. As a result, a portion of the funds will be available for use during the first year of the 2021-23 biennium, but will no longer be available in the second year of the biennium. The grants operate on a cost-reimbursement basis, so institutions do not receive their allotment of funds at the beginning of the grant period, but rather must submit claims for reimbursement as they incur eligible expenses.

9. Under these federal programs, funds are distributed directly to WTCS colleges, which are local units of government, without passing through the System office. As a result, limited information is available about the uses of the funds. In a required quarterly report to the federal Department of Education showing expenditures under the CARES Act as of March 31, 2021, WTCS colleges reported spending \$17.7 million of the \$20.1 million in institutional funds under the Act. Of that amount, \$3.6 million was used for additional financial aid for students; \$1.8 million was used to provide reimbursements for tuition or other fees; \$1.3 million was used to provide technology hardware to students; \$4.8 million was used for equipment or software related to distance learning, including upgrading campus wi-fi access; \$2.6 million was used for campus safety and operations; and \$3.5 million was used for other purposes allowable under the Act. Federal reporting requirements under the CRRSA Act and ARPA have not yet been established.

10. Assembly Bill 68/Senate Bill 111 would provide an increase of \$18,000,000 GPR annually in the appropriation for state general aid for technical colleges. Under the proposed increase, general aid funding would equal 11.9% of aidable costs in 2021-22 and 11.8% in 2022-23. [Alternative 1]

11. If the Committee wishes to provide additional funding for WTCS but at a smaller GPR cost, the Committee could consider increasing WTCS's general aid appropriation by \$1,545,800 in 2021-22 and \$3,115,300 in 2022-23, which would represent 1.53% increases in each year. Under this approach, the general aid appropriation would continue to fund an estimated 10.3% of aidable costs. [Alternative 2]

12. In its 2021-23 agency budget request, WTCS requested \$12 million GPR annually in the appropriation for grants for district boards. Under this appropriation, the System Board distributes \$21.9 million annually in categorical aid funding under categories established by the Board. In the agency request document, WTCS indicated that the requested funding would be used to support 2,000 students annually, targeting adult basic education students and English language learners seeking short-term certificates in essential fields. Support could include helping students access services such as childcare or mental health care, or providing non-traditional educational options. The Committee may wish to consider funding the request for additional funding for grants for district boards rather than providing additional general aid funding as proposed by the Governor [Alternative 3].

## **ALTERNATIVES**

1. Provide \$18,000,000 annually in the appropriation for state general aid for technical colleges.

<b>ALT 1</b>	<b>Change to Base</b>
GPR	\$36,000,000

2. Provide \$1,545,800 in 2021-22 and \$3,115,300 in 2022-23, an increase of 1.53% annually compared to the current law general aid appropriation.

<b>ALT 2</b>	<b>Change to Base</b>
GPR	\$4,661,100

3. Provide an additional \$12,000,000 annually in the appropriation for grants for district boards, as requested by WTCS in its 2021-23 agency budget request.

<b>ALT 3</b>	<b>Change to Base</b>
GPR	\$24,000,000

4. Take no action.

Prepared by: Christa Pugh





# Wisconsin Technical College System

## LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
3	Fire Fighter Certification Software