



Legislative Fiscal Bureau

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

May 23, 2023

Joint Committee on Finance

Paper #860

General Aid (Wisconsin Technical College System)

[LFB 2023-25 Budget Summary: Page 696, #2]

CURRENT LAW

State aid is provided to Wisconsin Technical College System (WTCS) districts from three major appropriations. Property tax relief aid (\$449.0 million GPR in 2022-23) is subject to each district's revenue limit, and therefore reduces its operational levy by an equal amount. State general aid (\$103.3 million GPR in 2022-23) is outside of revenue limits and is distributed using a partially equalizing formula and as outcomes-based funding. State categorical aids (\$24.1 million GPR in 2022-23) are used to support grant categories relating to specific types of training and credentials.

DISCUSSION POINTS

1. In 2022-23, \$103.3 million GPR is appropriated for state general aids. Of that amount, \$72.3 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 \$31.0 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 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 prior to the calculation of aid in each fiscal year.

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 2022-23.

TABLE 1
State General Aid Distribution by District, 2022-23

	<u>Partially Equalizing Aid</u>	<u>Outcomes Based Funding</u>	<u>Total State Aid</u>
Blackhawk	\$2,053,300	\$1,323,800	\$3,377,100
Chippewa Valley	5,557,800	1,960,300	7,518,100
Fox Valley	7,244,000	3,057,300	10,301,300
Gateway	4,698,300	2,170,000	6,868,300
Lakeshore	1,926,100	1,312,800	3,238,900
Madison Area	9,203,400	3,332,700	12,536,100
Mid-State	2,398,300	1,311,100	3,709,400
Milwaukee	12,150,800	3,323,600	15,474,400
Moraine Park	2,334,900	1,847,100	4,182,000
Nicolet Area	620,900	992,700	1,613,600
Northcentral	5,763,600	1,809,400	7,573,000
Northeast WI	6,596,800	2,598,900	9,195,700
Northwood	1,534,300	1,390,200	2,924,500
Southwest WI	2,093,300	1,019,800	3,113,100
Waukesha Co	2,695,200	1,848,100	4,543,300
Western	<u>5,428,400</u>	<u>1,687,700</u>	<u>7,116,100</u>
Total	\$72,299,400	\$30,985,500	\$103,284,900

5. Table 2 shows the amounts appropriated for general aids to WTCS districts and the ratio of general aids to aidable costs since 2013-14. 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.

TABLE 2

**State General Aid as a Percentage of Aidable Costs
2013-14 to 2022-23**

	<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>		
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	1.2
2021-22	103,284,900	2.2	1,003,431,529	2.7	10.2	4.7
2022-23	103,284,900	0.0	1,034,973,586	3.1	10.0	N.A.

*Aidable costs are based on district estimates.

**Changes in consumer Price Index-All Urban Consumers for calendar years 2013 through 2021.

6. Since 2013-14, aidable costs have grown by an annualized growth rate of approximately 1.90% each year. Based on that growth rate, it is estimated that aidable costs will total \$1,054.6 million in 2023-24 and \$1,074.7 million in 2024-25, and the current amount of general aid funding would equal approximately 9.8% of aidable costs in 2023-24 and 9.6% of aidable costs in 2024-25.

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 \$377.5 million, including discretionary funding provided by the Governor through competitive grants and as non-competitive supplemental funding. 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 must use their allocation of

funds by June 30, 2023. As a result, the funds are available for use during the 2021-23 biennium, but will no longer be available after 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 required reports to the federal Department of Education showing expenditures under the Acts as of January 31, 2023, WTCS colleges reported spending \$121.7 million of the \$128.3 million in student funds, or 94.8 percent, and \$292.7 million of the \$320.6 million in total non-discretionary funds, or 91.3 percent. The percentage of funds spent by each technical college ranged from 84.3% at Milwaukee Area to 100.0% at Fox Valley and Northwood.

10. Assembly Bill 43/Senate Bill 70 would provide an increase of \$32,900,000 GPR annually in the appropriation for state general aid for technical colleges. Under the proposed increase, general aid funding would equal 12.9% of aidable costs in 2023-24 and 12.7% in 2024-25. [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 \$1,962,400 in 2023-24 and \$3,962,100 in 2024-25, which would represent 1.9% increases in each year over base level funding. Under this approach, the general aid appropriation would continue to fund an estimated 10.0% of aidable costs. [Alternative 2] Providing an increase of 3.0% over base level funding in each year would require an increase of \$3,098,500 GPR in 2023-24 and \$6,290,000 GPR in 2024-25. Under this approach the general aid appropriation would fund 10.1% of aidable costs in 2023-24 and 10.2% in 2024-25. [Alternative 3]

12. In its 2023-24 agency budget request, WTCS requested \$25.0 million GPR in 2023-24 and \$50.0 million in 2024-25 in the appropriation for state aid for technical colleges. Under the proposed increase, general aid funding would equal 12.2% of aidable costs in 2023-24 and 14.3% in 2024-25. WTCS indicated that this funding would provide technical colleges with the flexibility to develop various student supports to align with specific institutional and student population needs. Student support services could include transportation, childcare, high-speed internet access, expanded hours for labs and other student services, assistance with food and housing insecurity, and access to mental health services. Providing such support services to students would allow districts to address workforce talent shortages by reducing barriers that students face, thus increasing student retention and the likelihood that students will complete their programs. [Alternative 4]

ALTERNATIVES

1. Provide \$32,900,000 annually in the appropriation for state general aid for technical colleges.

ALT 1	Change to Base
GPR	\$65,800,000

2. Provide \$1,962,400 in 2023-24 and \$3,962,100 in 2024-25, an increase of 1.9% annually compared to the current law general aid appropriation.

ALT 2	Change to Base
GPR	\$5,924,500

3. Provide \$3,098,500 in 2023-24 and \$6,290,000 in 2024-25 in the general aid appropriation, an increase of 3.0% annually compared to the current law general aid appropriation.

ALT 3	Change to Base
GPR	\$9,388,500

4. Provide \$25,000,000 in 2023-24 and \$50,000,000 in 2024-25 in the general aid appropriation.

ALT 4	Change to Base
GPR	\$75,000,000

5. Take no action.

Prepared by: Maria Toniolo