



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #722

### Tuition Freeze in High Demand Fields (WTCS)

[LFB 2015-17 Budget Summary: Page 538, #8]

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#### CURRENT LAW

Current law requires that the Wisconsin Technical College System (WTCS) Board set uniform tuition rates for post-secondary and vocational-adult courses and for collegiate transfer courses. Tuition is based on districts' projected costs and enrollments and is required to generate revenue equal to a percentage of estimated operational costs determined by state law.

#### GOVERNOR

Restrict program fee (tuition) increases for courses in high-demand fields, as identified by the Department of Workforce Development (DWD). The Board could not establish program fees for a course in a high-demand field that would exceed the program fees for the same course in the same district in the most recent school year in which the course was offered. Require DWD to issue an annual report to the Board determining all high-demand fields during that year no later than 30 days after the effective date of the act, and by December 31 of each year thereafter.

#### DISCUSSION POINTS

1. The Legislature established a statutory tuition policy for WTCS in 1975 based on a percentage of cost methodology. A uniform tuition charge for state residents enrolled in post-secondary (associate degree and technical diploma) and vocational-adult programs is required by law to be set at the level necessary to generate revenue equal to at least 14% of the estimated, statewide operational cost of those programs. The uniform tuition charge for liberal arts collegiate transfer courses is required to equal at least 31% of the estimated statewide operational cost of these programs. Non-resident tuition is set equal to 150% of resident tuition, unless covered by a

reciprocity agreement. This method of setting tuition, based on districts' projections of costs and full-time equivalent (FTE) enrollments in order to generate the percentage of costs required by law, automatically causes the statutory floor relating to tuition to increase as costs rise.

2. The WTCS Board is responsible for setting statewide tuition rates annually, with tuition set to recover a desired percentage of costs in each year equal to or higher than the statutorily required percentage. In 2014-15, resident tuition for post-secondary and vocational adult courses is \$125.85 per credit, or \$3,775.50 annually for a full-time student. This rate was set to recover 23.4% of costs. Resident tuition for collegiate transfer programs is \$170.35 per credit, or \$5,110.50 annually for a full-time student, and was set to recover 48.5% of collegiate transfer costs.

3. The following table shows per credit and annual resident tuition charges from 2005-06 through 2014-15. Both post-secondary/vocational adult tuition and collegiate transfer tuition increased by an average of 5.2% in each of the last 10 years.

### WTCS Tuition, 2005-06 to 2014-15

	<u>Post-Secondary/Vocational Adult</u>			<u>Collegiate Transfer</u>		
	<u>Per Credit</u>	<u>Annual</u>	<u>Percent Change</u>	<u>Per Credit</u>	<u>Annual</u>	<u>Percent Change</u>
2005-06	\$80.50	\$2,415.00	5.9%	\$109.10	\$3,273.00	5.9%
2006-07	87.00	2,610.00	8.1	117.90	3,537.00	8.1
2007-08	92.05	2,761.50	5.8	124.70	3,741.00	5.8
2008-09	97.05	2,911.50	5.4	131.50	3,945.00	5.5
2009-10	101.40	3,042.00	4.5	136.10	4,083.00	3.5
2010-11	106.00	3,180.00	4.5	142.22	4,266.60	4.5
2011-12	111.85	3,355.50	5.5	150.00	4,500.00	5.5
2012-13	116.90	3,507.00	4.5	158.25	4,747.50	5.5
2013-14	122.20	3,666.00	4.5	165.40	4,962.00	4.5
2014-15	125.85	3,775.50	3.0	170.35	5,110.50	3.0

4. In 2013-14, the three major sources of revenue to WTCS districts were property taxes (\$796.7 million, or 51.9% of total revenue), tuition and fees (\$281.3 million, or 18.3% of total revenue), and state aid (\$102.9 million, or 6.7% of total revenue). In 2014-15, state aid will increase by \$406 million attributable to property tax relief aid included in 2013 Act 145, and property taxes will be reduced by the same amount from what they otherwise would have been. Under the bill, state aid for technical colleges would be maintained at base level, and under current law a revenue limit restricts technical college property tax levy increases by the district's valuation factor, or percentage increase in the district's equalized value resulting from new construction in the district. Based on projections on new construction, it is estimated that the WTCS revenue limit would increase by \$7.3 million in 2015-16 and \$8.0 million in 2016-17. WTCS staff indicate that each 1% increase in tuition results in an additional \$2.4 million in revenue for the technical college system.

5. Restricting program fee increases for high-demand fields is likely to result in lower tuition, and therefore greater taxpayer support, for programs in those fields. Some would argue that

state aid and property tax resources should be used to support programs whose graduates will be most likely to contribute to Wisconsin's economy after graduation. This could be seen as maximizing the return on the taxpayer investment in technical education. Additionally, lower tuition in high demand fields could encourage additional students to enroll in those courses, increasing the supply of workers in those areas.

6. On the other hand, the tuition savings for a pupil in a high-demand field would be relatively small, and may not be sufficient to convince students to choose a high demand field if the student would not otherwise have done so. As an example, between 2013-14 and 2014-15, WTCS tuition for a post-secondary/vocational adult student increased by \$3.65 for each credit, or \$109.50 in one year for a full-time student enrolled in 30 credits. Additionally, to the extent that waiting lists already exist for some high demand fields, reduced resources associated with a tuition freeze could have the effect of maintaining or reducing the current capacity of programs in those fields rather than increasing the number of graduates.

7. The bill would require an annual determination of high-demand fields by DWD. To the extent that high-demand fields may change from one year to the next, students who begin a program in a high-demand field could experience unpredictable changes in their tuition if their field is not designated as a high-demand field in a future year. Additionally, the bill establishes a tuition freeze only for courses that relate to a high-demand field. Under this approach, the same student could be charged two different tuition rates if the student is also taking courses that do not relate to a high-demand field, such as general education courses.

8. Because WTCS tuition has historically been uniform across programs, WTCS staff indicate that administrative costs would be associated with a tuition freeze in certain programs in order to transition to a system in which multiple tuition rates are charged. For example, modifications to WTCS computer systems would be needed to charge multiple rates of tuition. Tuition would be frozen at the amount charged for the same course in the same district in the most recent school year in which the course was offered, so tuition rates for the same course could vary across districts and each district could be required to charge several different tuition rates if courses were offered that had not been available for one or more school years. As a result, this approach could create additional administrative burden for WTCS districts, and could have the unintended effect of discouraging districts from reintroducing courses that had not been offered in one or more years.

9. Under the bill, a two-year tuition freeze is proposed for resident undergraduate students enrolled in a UW institution or UW Colleges campus. The proposal prohibits the Board of Regents from charging a higher tuition for resident undergraduates in the 2015-16 and 2016-17 academic years than it charged such students enrolled in that institution or UW Colleges campus in the 2014-15 academic year. As currently written, the WTCS tuition freeze would be permanent, regardless of future increases in instructional costs. Additionally, tuition would be frozen equal to the fee charged for the course in the most recent year in which it was offered, resulting in multiple rates of tuition in cases in which a course had not been offered in a district for one or more years. Two options that the Committee may wish to consider would be to freeze tuition for courses in high-demand fields for the next two academic years and to specify that tuition would be frozen at

the 2014-15 rate.

## **ALTERNATIVES**

1. Approve the Governor's recommendation to restrict program fee (tuition) increases for courses in high demand fields to the program fee for the same course in the same district in the most recent school year in which the course was offered.

2. Modify the Governor's recommendation with one or both of the following changes:

a. Specify that the WTCS Board would be prohibited from increasing the tuition rate for courses in high-demand fields in the 2015-16 and 2016-17 academic years only.

b. Specify that the tuition rate could not be higher than the uniform tuition rates established by the WTCS Board for the 2014-15 academic year, rather than the rate in the most recent year in which the course was offered as under the bill.

3. Delete provision.

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