



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #790

### General Aid (WTCS)

[LFB 2019-21 Budget Summary: Page 457, #2]

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#### CURRENT LAW

State aid is provided to Wisconsin Technical College System (WTCS) districts from three major appropriations. Property tax relief aid (\$406 million GPR annually) is subject to each district's revenue limit, and therefore reduces its operational levy by an equal amount. State general aid (\$88.5 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.

#### GOVERNOR

Provide an increase of \$6 million GPR in 2019-20 and \$12 million GPR in 2020-21 in the appropriation for state general aid for technical colleges.

#### DISCUSSION POINTS

1. In 2018-19, \$88.5 million GPR is appropriated for state general aids. Of that amount, \$62.0 million (70% of 2018-19 general aid) 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 \$26.6 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 ten 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 2018-19.

**TABLE 1**

**State General Aid Distribution by District, 2018-19**

	<u>Partially Equalizing Aid</u>	<u>Outcomes Based Funding</u>	<u>Total State Aid</u>
Blackhawk	\$1,712,900	\$1,035,827	\$2,748,727
Chippewa Valley	3,924,500	1,385,392	5,309,892
Fox Valley	6,416,900	2,647,807	9,064,707
Gateway	4,600,400	1,920,639	6,521,039
Lakeshore	1,685,200	1,117,060	2,802,260
Madison Area	8,300,100	2,587,455	10,887,555
Mid-State	1,871,300	1,067,504	2,938,804
Milwaukee	11,279,200	3,161,150	14,440,350
Moraine Park	1,974,500	1,606,271	3,580,771
Nicolet Area	544,000	769,444	1,313,444
Northcentral	4,082,600	1,714,368	5,796,968
Northeast WI	5,779,300	2,121,474	7,900,774
Southwest WI	1,679,400	980,749	2,660,149
Waukesha Co	2,287,800	1,821,354	4,109,154
Western	4,401,500	1,365,036	5,766,536
WI Indianhead	<u>1,434,800</u>	<u>1,257,940</u>	<u>2,692,740</u>
Total	\$61,974,400	\$26,559,470	\$88,533,870

5. Table 2 shows the amounts appropriated for general aids to WTCS districts and the ratio of general aids to aidable costs since 2008-09. 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 through state general aid has decreased over the last four years, since general aid was last increased in 2014-15 when the outcomes-based funding model was first implemented.

**TABLE 2**  
**State General Aids as a Percentage of Aidable Costs**  
**2008-09 to 2018-19**

	<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>		
2008-09	\$118,415,000	0.0%	\$787,347,196	3.4%	15.0%	3.8%
2009-10	119,335,600	0.8	797,879,644	1.3	15.0	-0.4
2010-11	119,335,600	0.0	858,479,226	7.6	13.9	1.6
2011-12	83,534,900	-30.0	815,664,150	-5.0	10.2	3.2
2012-13	83,534,900	0.0	840,895,313	3.1	9.9	2.1
2013-14	83,534,900	0.0	855,260,147	1.7	9.8	1.5
2014-15	88,534,900	6.0	881,338,742	3.0	10.0	1.6
2015-16	88,534,900	0.0	894,290,401	1.5	9.9	0.1
2016-17	88,534,900	0.0	900,560,610	0.7	9.8	1.3
2017-18	88,534,900	0.0	923,903,047	2.6	9.6	2.1
2018-19	88,534,900	0.0	940,399,537	1.8	9.4	2.4

\*Aidable costs are based on district estimates.

\*\*Changes in Consumer Price Index-All Urban Consumers for calendar years 2008 through 2018.

6. 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, the additional general aid would provide an increase in resources for use by technical college districts.

7. Since 2008-09, aidable costs have grown by approximately 1.8% each year. Based on that growth rate, it is estimated that aidable costs will total approximately \$957 million in 2019-20 and \$975 million in 2020-21, and the current amount of general aid funding would equal approximately 9.3% of aidable costs in 2019-20 and 9.1% of aidable costs in 2020-21. Under the proposed increases of \$6 million in 2019-20 and \$12 million in 2020-21, general aid funding would equal 9.9% of aidable costs in 2019-20 and 10.3% in 2020-21.

8. The Committee could consider modifying the funding amount in the second year of the

biennium so that general aids would fund approximately 10% of aidable costs in that year. Under this approach, an increase of \$8,965,100 GPR would be required relative to current law. [Alternative 2]

9. 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 \$4,465,100 GPR annually, or approximately 5%. [Alternative 3]

10. In its 2019-20 agency budget request, WTCS requested additional general aid funding totaling \$12 million GPR in 2019-20 and \$24 million GPR in 2020-21. The request indicates that the additional funding would help districts further address Wisconsin's workforce needs by training additional workers, particularly among underserved populations including individuals who have disabilities, are economically disadvantaged, are formerly incarcerated, or are adults returning after a break in their schooling. The request also indicates that WTCS costs have increased in recent years as a result of the following: (a) growth of dual credit for high school pupils; (b) cybersecurity requirements; (c) the needs of underserved populations; (d) private sector competition for highly skilled technical instructors; (e) increased campus safety and security measures; and (f) federal regulatory and reporting requirements. By providing the additional funding in the general aids appropriation, districts would have a significant amount of flexibility to use the funds to meet these or other local needs. [Alternative 4]

**ALTERNATIVES**

1. Approve the Governor's recommendation to provide an increase of \$6,000,000 in 2019-20 and \$12,000,000 in 2020-21 in the appropriation for state general aid for technical colleges.

ALT 1	Change to	
	Base	Bill
GPR	\$18,000,000	\$0

2. Provide \$6,000,000 in 2019-20 and \$8,965,100 in 2020-21, so that general aid would fund approximately 10% of aidable costs in the second year of the biennium.

ALT 2	Change to	
	Base	Bill
GPR	\$14,965,100	- \$3,034,900

3. Provide \$4,465,100 annually, an increase of approximately 5% compared to the current law general aid appropriation.

ALT 3	Change to	
	Base	Bill
GPR	\$8,930,200	- \$9,069,800

4. Provide \$12,000,000 in 2019-20 and \$24,000,000 in 2020-21 to fully fund WTCS's agency budget request.

ALT 4	Change to	
	Base	Bill
GPR	\$36,000,000	\$18,000,000

5. Take no action.

ALT 5	Change to	
	Base	Bill
GPR	\$0	- \$18,000,000

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