THE WISCONSIN
TAXPAYER

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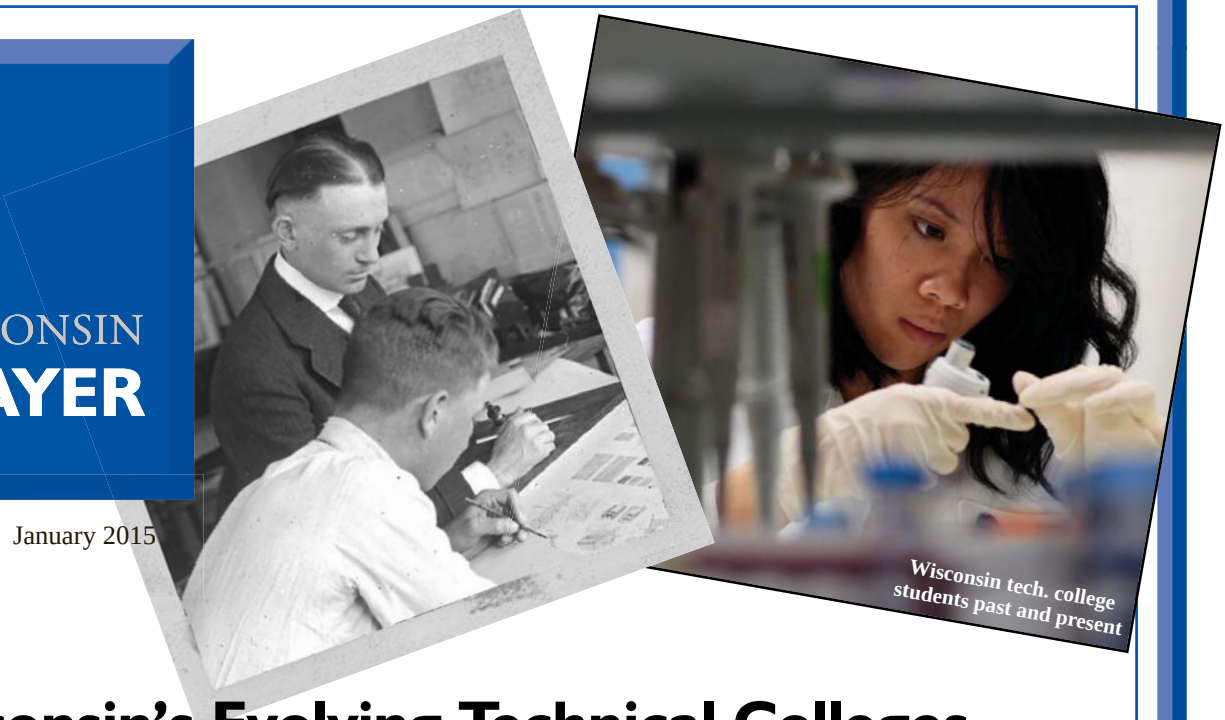


Wisconsin tech. college students past and present

Wisconsin's Evolving Technical Colleges

A Look At Funding And Governance

Wisconsin is home to the nation's oldest technical college system, which was established in 1911 to enable residents to obtain training for technical and skilled positions and to encourage economic development. Since then, many states have established technical and community colleges of their own. The structure of these institutions varies widely by state, particularly in how they are funded and governed. This is now an issue in Wisconsin.

Post-secondary education for those not heading straight to a four-year campus has often made the news in recent months.

Nationally, the president has floated the idea of two years of free community or junior college education. The notion is not without support, but how it will be funded remains a subject of much debate.

Closer to home, the state legislature used over $400 million in state surplus funds to "buy down" this year's technical college property tax. The amount represented about two-thirds of what "tech" colleges levy annually for operations and has sparked renewed discussion of how these postsecondary institutions should be funded and governed.

THE WISCONSIN SYSTEM

In 1911, Wisconsin became the first state to establish a system of state aid and support for industrial education.

The technical college system originally had a twofold mission: to enable residents to obtain the training requisite for technical or skilled jobs, and to encourage economic development by providing customized training and assistance to local businesses and industries.

Over time, however, some technical colleges have expanded their missions, providing college preparatory classes for students looking to transfer to four-year institutions.

The Wisconsin Technical College System (WTCS) now consists of 16 districts that collectively span the entire state (see Figure 1 on page 2). All in all, the system has 48 campuses that serve over 326,000 students (or about 72,000 on a full-time equivalent basis).

Governance

WTCS is established in state law as an independent agency, separate from the University of Wisconsin system. Originally run by public school systems or separate city technical school districts, it now operates under a system of shared governance

Also in this issue:

between a state board and individual district boards. The two work together, but local boards are generally given the freedom to operate as long as they are in compliance with state standards.

State Board. The state board that oversees technical colleges is separate from the Board of Regents that governs the University of Wisconsin system. However, the President of the Board of Regents is one of its 13 members. In addition, the board consists of:

- the State Superintendent of Public Instruction;
- the Secretary of the Department of Workforce Development; and
- 10 other members appointed by the governor.

The 10 members appointed by the governor must include an employer, an employee, a farmer, and a WTCS student (enrolled at least half-time and in good academic standing). The remaining six are public representatives chosen at the governor's discretion.

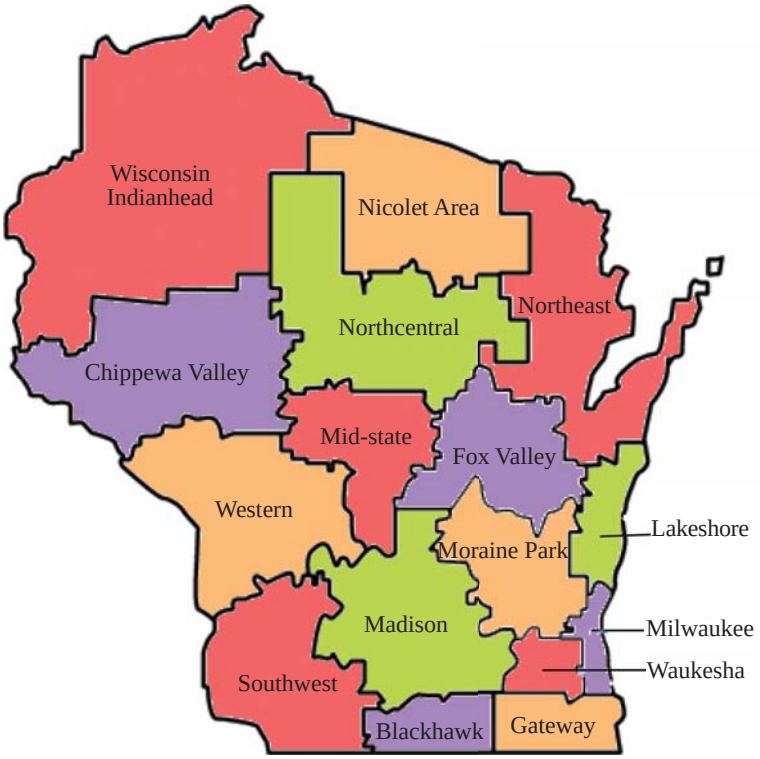
Wisconsin statutes grant the state board authority to plan and coordinate system programs and activities. Specifically, the board is charged with certifying educational personnel, overseeing programs and courses, setting fees, reviewing and approving building plans, and distributing state aid. While the state board is involved in some decisions of local districts, its role is largely one of oversight and approval rather than direct decision-making.

District Board. Each of the 16 technical college districts is governed by a nine-member board. Board members are not elected but appointed by local committees comprised of county board chairs or, in Milwaukee, Southwest, and Fox Valley, school board presidents. New board members take office on July 1 and serve staggered three-year terms. Local boards consist of:

- two employees;
- two employers;
- a school district administrator;
- a state or local elected official; and
- three additional members who are residents of the district.

Within the bounds of state laws and standards, and under the oversight of the state board, local districts make many of their own decisions. Statutory duties of district boards include hiring, creating or eliminating programs, developing an annual budget, setting a property tax levy, seeking grants, admitting students,

Figure 1:
Wisconsin's 16 Technical College Districts



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purchasing, contracting, and building maintenance. In doing these things, local board actions can be subject to state board approval and/or review.

Enrollment and Programs

In 2013-14, a total of 326,544 students were enrolled in WTCS, 71,643 on a full-time equivalent (FTE) basis. Although down from its 2011 peak of 82,365, full-time enrollment has grown considerably over the past few decades; FTE enrollment was between 55,000 and 65,000 during the 1980s and 1990s (see Figure 2).

Enrollment in technical colleges tends to fluctuate with the economy. During downturns, when a greater number of people are unemployed and struggling to find work, people often return to school to obtain new or better training.

Students are enrolled in one of four main program areas: associate degree programs, technical diplomas, continuing education programs, or college transfer programs. Associate degree and continuing education are the most popular programs. However, enrollment has been shifting toward college transfer programs in recent years.

Associate Degree. WTCS' two-year, post-high school associate degree programs are by far the most popular. With 47,917 FTE students, associate programs accounted for 66.9% of total enrollment in 2013-14 (see Figure 3), up from 61.1% in 2004.

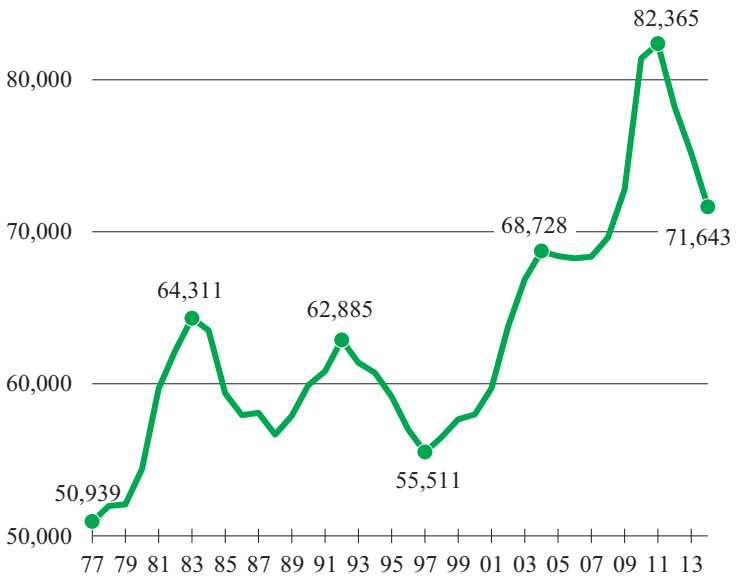
Specific course requirements for associate degrees are established by the WTCS board. Among the most popular programs are nursing, accounting, computer information services, marketing, and criminal justice.

Technical Diploma. Technical diplomas, formerly called vocational diplomas, are granted in programs that can be completed in one to two years. They include various apprenticeship programs. Among the most popular are nursing assistant, farm business and production management, practical nursing, emergency medical technician, and medical assistant.

In 2013-14, these technical programs had 8,237 full-time equivalent students, representing 11.5% of enrollment, down from 13.2% in 2003-04.

Continuing Education. Continuing education programs are part-time and comprised of vocational-adult programs, basic skills education, and community services. They include hobby courses and activities, as well.

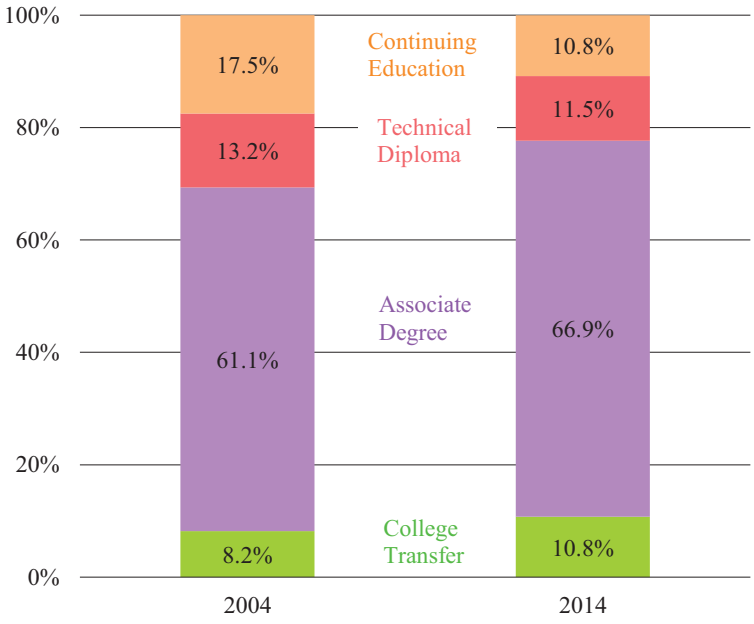
Figure 2:
Technical College Enrollment Rises/Falls in Recent Years
Total Full-time Equivalent Enrollment (FTE), 1977-2014



Another 7,769 FTE students were enrolled in these programs in 2013-14. As a share of enrollment, continuing education (10.8% in 2013-14) has decreased nearly 7 percentage points since 2003-04 (17.5%).

College Transfer. Five districts (Madison, Milwaukee, Nicolet, Chippewa Valley, and Western)

Figure 3:
Associate Degree Most Popular Program
Enrollment by Program, % of Total, 2003-04 vs. 2013-14



have students enrolled in two-year college transfer programs, the largest of which are in Madison, Milwaukee, and Nicolet. These programs allow liberal arts credits to be transferred and applied to a baccalaureate degree at a four-year university. In addition, the University of Wisconsin system has 13 two-year campuses, from which students can transfer credits to four-year campuses.

Of 71,643 total FTE students enrolled in 2013-14, 7,719 (10.8%) participated in a college transfer program, 2.6 percentage points higher than in 2003-04. However, college transfer programs account for 36.6% of enrollment in Madison, 26.1% in Milwaukee, and 22.8% in Nicolet.

State law limits the size of these programs to no more than 25% of the total credit hours offered by the district (not the same as FTE enrollment).

Funding

WTCS revenue comes from a combination of local, state, and federal sources, along with tuition and fees. In addition to these, technical college districts receive funds from contract services and miscellaneous sources.

Composition. In Wisconsin, the majority of revenue historically come from local sources, primarily the property tax. Local sources accounted for 56.6% of revenue in 2012-13. Tuition and fees accounted for another quarter. State aid accounted for 10.4% and federal aid, 3.9%. The remainder included self-financed and miscellaneous revenues.

During 2004-13, the composition of technical college revenues changed. Technical colleges relied significantly more on tuition and fees in 2012-13 (25.4%) than in 2003-04 (17.8%). At the same time, the share of revenue provided by the state fell from 17.2% to 10.4%. Federal aid declined from 5.0% to 3.9% of revenues. Reliance on property taxes increased slightly from 55.4% in 2003-04 to 56.6% in 2012-13.

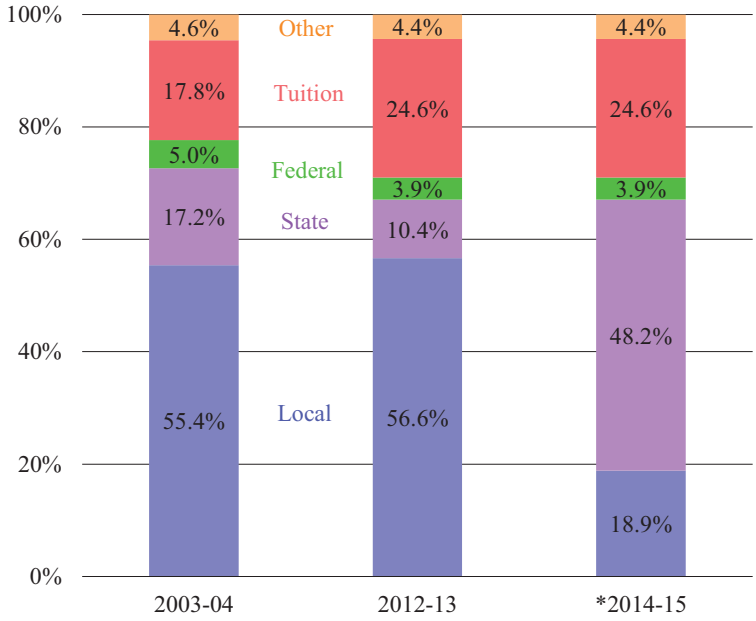
However, with 2013 Act 145 permanently allocating an additional $406 million in state aid to technical colleges, revenue composition will shift dramatically. At this point, it is impossible to know precisely how additional state aid will affect revenue composition in the future. However, adjusting 2012-13 revenues to account for the additional state aid and reduced property taxes provides a rough estimate of how revenues look in 2014-15 (third bar in figure 4). State aid accounts for nearly half (48.2%) of revenue, while local sources cover just 18.9%.

Property Taxes. In 2012-13, local property taxes were the largest source of revenue for technical college districts, and accounted for the vast majority of local revenue. Technical college districts are authorized to set and assess property tax levies within statutory limits.

These limits on property tax levies have evolved in recent years. Before 2013, districts operated under tax rate limits: districts could levy no more than $1.50 per $1,000 of the district's equalized property value. Because rate limits tend to favor districts with higher property values, the state would provide aid according to a formula designed to increase revenue for districts with lower property values.

For example, under the rate limit, District A with $10,000 in property value could levy $150 in property taxes, while the equally populous District B with $5,000 in property value could levy only $75, or half as much. The state would allocate additional funds to District B in order to mitigate the difference between the two districts. Boards could exceed rate limits only if the excess levy was approved by voters in a referendum.

Figure 4:
Technical College Revenue Will Change
% Revenues by Category, 2003-4 vs. 2012-13, 2014-15 Estimate



*2012-13 revenue composition adjusted for addition of $406 million in state aid in 2014

The 2013-15 budget ended the tax rate limit, replacing it with levy limits, caps on the total amount that a district could levy, regardless of property valuation.

However, 2013 Wisconsin Act 145 replaced levy limits with a "revenue limit" on technical college districts. Revenue limits restrict the total amount of revenue a district may receive from the combination of the district's tax levy and state aid. As before, districts can exceed revenue limits only if the excess levy is approved by voters.

By District. Revenue composition varies by district (see Table 1). In 2012-13, local sources ranged from 45.5% of revenue in Fox Valley to 72.4% in Nicolet Area. Likewise, state aid accounted for as much as 15.6% of revenue in Southwest Wisconsin, and as little as 6.2% in Wisconsin Indianhead.

HERE VS. ELSEWHERE

Although Wisconsin was the first to develop a postsecondary vocational school system, most states have some kind of community or technical college system. How these are funded and governed varies from state to state. Systems in other states tend to place more governing power and financial responsibility with state, rather than local, authorities and to operate in conjunction with the state's four year institutions.

One of many characteristics that makes Wisconsin's technical college system unusual is its independence from the state's other two-year colleges. Although technical colleges and community colleges generally provide different programs, many states coordinate and fund them together. As a result, it is difficult to separate data for technical and community colleges. The following state-by-state comparison considers both.

Nationally, state government is the primary source of revenue for community and technical college systems. In 30 of 50 states, state funds represented the largest source of revenue.

Funding

Technical and community colleges are funded in different states by varying combinations of state appropriations, local sources, and tuition and fees (see Table 2 on page 6). Due to data limitations, this discussion excludes federal monies. Roughly half of states fund their community and technical colleges with both state and local revenues, while the other half rely entirely, or almost entirely, on state resources and tuition.

Nationally, state government is the primary source of revenue for community and technical college systems. In 30 of 50 states, state funds represented the largest source of revenue. State monies represent over 50% of funding in 25 states.

Nationally, state appropriations accounted for an average of 40.8% of all revenues in 2012. Tuition and

Table 1:
Technical College Revenues Vary by District
Revenues by Source, Total ($ Thousands), Pct. of Total, 2012-13

		Local		State		Federal		Tuition		Other	
District	**Location**	Total	Share	Total	Share	Total	Share	Total	Share	Total	Share
Blackhawk	Janesville	$15,978	54.1%	$3,540	12.0%	$803	2.7%	$8,037	27.2%	$29,518	3.9%
Chippewa Valley	Eau Claire	29,588	54.0	6,491	11.8	2,018	3.7	15,433	28.1	54,830	2.4
Fox Valley	Appleton	48,763	45.5	12,392	11.6	12,626	11.8	25,418	23.7	107,140	7.4
Gateway	Kenosha	51,076	60.2	6,609	7.8	3,977	4.7	19,520	23.0	84,802	4.3
Lakeshore	Cleveland	17,623	55.7	3,538	11.2	1,544	4.9	6,825	21.6	31,657	6.7
Madison Area	Madison	92,717	60.0	13,700	8.9	4,496	2.9	40,851	26.4	154,617	1.8
Mid-State	Wis. Rapids	16,281	56.3	3,601	12.4	809	2.8	7,345	25.4	28,942	3.1
Milwaukee Area	Milwaukee	102,727	56.5	20,744	11.4	5,702	3.1	48,168	26.5	181,817	2.5
Moraine Park	Fond du Lac	30,169	61.9	4,152	8.5	1,204	2.5	9,191	18.9	48,717	8.2
Nicolet Area	Rhinelander	18,093	72.4	2,098	8.4	312	1.2	3,952	15.8	25,003	2.2
Northcentral	Wausau	21,638	48.6	6,556	14.7	1,329	3.0	11,999	27.0	44,483	6.7
Northeast WI	Green Bay	43,325	51.0	10,121	11.9	2,822	3.3	23,969	28.2	85,006	5.6
Southwest WI	Fennimore	10,961	48.9	3,488	15.6	902	4.0	4,815	21.5	22,416	10.0
Waukesha Co	Pewaukee	53,608	66.2	5,697	7.0	1,199	1.5	16,145	19.9	80,931	5.3
Western	La Crosse	24,821	51.0	6,335	13.0	2,030	4.2	12,966	26.6	48,669	5.2
WI Indianhead	Shell Lake	31,285	68.0	2,841	6.2	665	1.4	10,185	22.1	46,041	2.3

Table 2:
Two-Year Colleges Rely on State Revenue and Oversight
Sources of Revenue for Two-Year Institutions, % of Total, 2012

State	% of Non-Federal Revenue			Rank		
	State	Local	Tuition	State	Local	Tuition
Ala.	66.2%	0.3%	33.5%	9	30	29
Alaska	79.9	0.0	20.1	1	33	44
Ariz.	7.3	69.5	23.1	49	2	41
Ark.	66.8	9.8	23.4	7	26	40
Calif.	50.0	38.2	11.7	25	8	50
Colo.	3.1	10.6	86.3	50	25	1
Conn.	68.0	0.0	32.0	4	33	34
Del.	59.6	0.0	40.4	18	33	17
Fla.	60.4	6.2	33.4	13	27	30
Ga.	61.4	0.0	38.6	12	32	20
Hawaii	67.3	0.0	32.7	6	33	33
Idaho	40.4	17.7	41.9	31	18	12
Ill.	18.4	51.7	29.9	46	3	36
Ind.	60.4	0.0	39.6	14	33	19
Iowa	39.7	24.2	36.0	32	16	24
Kans.	28.8	44.1	27.1	42	5	37
Ky.	59.8	0.0	40.2	17	31	18
La.	58.2	0.0	41.8	20	33	14
Maine	77.5	0.0	22.5	2	33	42
Md.	29.0	35.0	35.9	41	10	25
Mass.	55.4	0.0	44.6	23	33	10
Mich.	23.5	43.3	33.2	44	6	31
Minn.	52.2	0.0	47.8	24	33	9
Miss.	60.2	15.8	23.9	15	22	39
Mo.	31.9	33.9	34.2	39	11	26
Mont.	45.2	17.4	37.4	29	19	22
Nebr.	32.4	46.3	21.3	37	4	43
Nev.	69.9	0.0	30.1	3	33	35
N.H.	31.4	0.0	68.6	40	33	3
N.J.	18.0	25.8	56.3	47	15	6
N.M.	48.0	36.1	15.9	26	9	49
N.Y.	32.6	33.9	33.6	36	12	28
N.C.	67.7	15.6	16.7	5	23	47
N.D.	66.4	0.0	33.6	8	33	27
Ohio	42.6	16.7	40.7	30	20	16
Okla.	47.9	32.4	19.7	27	13	45
Ore.	34.9	27.9	37.2	33	14	23
Pa.	32.7	15.5	51.7	35	24	8
R.I.	58.1	0.0	41.9	21	33	13
S.C.	27.0	15.9	57.0	43	21	5
S.D.	32.1	0.0	67.9	38	33	4
Tenn.	56.3	0.0	43.7	22	33	11
Tex.	33.7	40.8	25.5	34	7	38
Utah	58.7	0.0	41.3	19	33	15
Vt.	20.1	0.0	79.9	45	33	2
Va.	46.0	0.3	53.7	28	29	7
Wash.	62.1	0.0	37.9	11	33	21
W.Va.	65.9	1.1	33.0	10	28	32
Wis.	8.9	73.9	17.2	48	1	46
Wyo.	60.1	23.7	16.2	16	17	48
U.S.	**40.8**	**29.3**	**29.9**	na	na	na

fees accounted for 29.9% and local appropriations for the remainder (29.3%).

Reliance on local revenue is less common. In 2012, 18 states received no local funding. In another seven, local sources accounted for less than 10% of all revenue.

Even among the 25 states in which local funds represent over 10% of total revenue, local monies are the smallest portion of revenue in nine. In only eight states did local sources account for the largest share of funds, and only in three did they account for the majority. Wisconsin was at the top of the list, with local funds representing 73.9% of revenue. Arizona (69.5%) and Illinois (51.7%) followed. In terms of reliance on local funding, Wisconsin is indeed different.

Governance

Community and technical colleges are generally governed by both state and local authorities, though some give more power to the state than others.

Systems that are heavily centralized have state-level governing boards with broad powers, including the power to appoint college presidents. Others, like Wisconsin, have local districts operating under a state coordinating board. State coordinating boards plan and allocate revenue and monitor college performance, but do not govern. Still others provide a state board with limited power to regulate colleges, but no power to govern or coordinate them. Arizona and Michigan have no over-arching state agency.

Centralization. Funding and governance tend to go hand in hand. Systems that rely heavily on state funds tend to give more power to state rather than local governing boards. Of the 25 systems that rely on the state for a majority of their revenue, 20 (80%) are governed by a statewide board. Similarly, of the 28 college systems governed by state boards, only Texas (40.8%) relied on local revenue for more than 18% of technical and community college funding.

The heavily centralized nature of technical college governance across the country is tied to federal funding as well. The Smith Hughes Act of 1917 required that all federally-funded vocational education programs be supervised by a designated state agency. Many technical college systems evolved from those established under this law and remain centrally governed.

Independence. Wisconsin's technical college system is unique, not only for its substantially local-

ized funding, but also for its independence. Its state technical college board and the Board of Regents that oversees the University system are entirely separate entities. This is relatively uncommon. Most community and technical college systems operate under the oversight of state agencies that oversee other educational systems in the state.

In 19 states, technical and community colleges operate under a consolidated state board that oversees all public higher education. The roles of these consolidated boards vary; some responsible for governing, others coordinating, and still others regulating (see Table 3).

Two-year institutions in five states fall under the auspices of state boards of education that oversee K-12 education. In Idaho, the state board is responsible for all levels of public education.

In 17 states, including Wisconsin, community or technical college systems operate under independent state boards. In Georgia and Oklahoma, the community college system operates under a consolidated state board, while the technical college system is overseen by an independent board.

Technical and community colleges in the remaining seven states operate under multiple state boards. Two-year institutions in New York, Idaho, Rhode Island, and Tennessee are overseen by both a state board of education and a consolidated higher education board. Institutions in Florida operate under a state board of education as well as an independent state board. Georgia, New Hampshire, and Oklahoma have both consolidated and independent state board oversight.

Table 3:
College Oversight
Type of State Board, Role

Type/Role	Num. of States
State Board of Education	
Governing	2
Coordinating	0
Regulatory	1
Other	2
Consolidated State Board	
Governing	11
Coordinating	8
Regulatory	1
Other	0
Independent State Board	
Governing	10
Coordinating*	7
Regulatory	0
Other	0
Multiple Boards	
Governing	5
Coordinating	3
Regulatory	0
Other	0

*Wisconsin in this category

Trends

Regardless of how they were created, community and technical college systems have evolved over the years. By tracking changes, several trends emerge.

First, there has been a clear movement toward centralization on the part of two-year institutions.

Funding and governance tend to go hand in hand. Systems that rely heavily on state funds tend to give more power to state rather than local governing boards.

The most popular example is consolidated governance of fragmented networks of schools under one statewide board. North Carolina (1979), Washington State (1991), Connecticut (1992), Kentucky (1997), Louisiana (1998), West Virginia (2000) all consolidated fragmented networks of two-year university campuses, community colleges, and postsecondary technical institutions and established statewide governing boards. Rather than creating a new statewide board, Minnesota (1995) and Connecticut (2011) moved governing power from previously independent state community and technical colleges to an existing statewide board in charge of overseeing universities.

Other states made less drastic changes, giving existing statewide university boards the power to oversee but not govern, while allowing local powers to retain governing authority. In 1999, Kansas transferred the oversight of its community college system from the State Board of Education to the university system's Board of Regents.

Only one state has moved against the tide. Arizona eliminated its state-level coordinating board. Colleges there still receive state funding, but are now governed solely by local elected boards.

In addition to consolidation, technical college systems have been expanding to provide a full range of community college services. Two-year colleges in Indiana, Maine, and New Hampshire that were designed as technical schools now offer a range of community college programs. □

DATA SOURCES:

National Association of State Boards of Education; National Center for Higher Education Management Systems; Wisconsin Legislative Council; Wisconsin Legislative Fiscal Bureau; Wisconsin Technical College System.

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WISTAX NOTES

■ **Legislative Calendar.** The 2015-16 legislative session began on January 5, 2015 and will run through the first week of January in 2017. During that time, the legislature will convene on a total of 112 days: 80 in 2015 and 32 in 2016. Legislative leadership has scheduled 107 regular floor days, with the last in early April 2016. Another five "limited business" sessions are scheduled for the end of April and mid-May 2016.

More than half of the floor days are scheduled for the first six months of 2015. Leadership has scheduled 24 floor sessions through the first week of March to deal primarily with "non-budget" legislation. From mid-March through the end of June, another 35 floor days are scheduled to deal primarily with the state budget. Following a summer recess, the legislature will meet for 21 days from mid-September through early November. It will wrap up its regular business with 27 days on the floor from January through April 2016. After that, campaign season returns.

■ **Outstanding Debt.** State government debt totaled $13.65 billion at the end of fiscal 2014, down 0.7% from the previous year. According to the Comprehensive Annual Financial Report (CAFR), this is the first decline since 2008. State debt has increased 32.6% since 2005. As a share of personal income, however, debt has fallen 0.2 percentage points from 5.71% in 2005 to 5.51% in 2014.

General obligation (G.O.) bonds, which are backed by the full faith, credit, and taxing power of the state government, represent the largest portion of debt (53.2%). State government is legally obligated to impose the taxes necessary to pay the annual debt service payments on these bonds.

Annual appropriation bonds represented another 23.3% of debt. The legislature is not legally required to pay debt service on appropriation bonds. Although the state is not legally obligated to repay this debt, failure to do so would negatively impact the its bond ratings. Revenue bonds represented another 22.8% of the total. Unlike G.O. debt, revenue bonds are not backed by the taxing power of government, but by revenues from the project being financed.

■ **Bond Ratings.** The state's bond ratings from all three major bond houses remain unchanged, according to the Capital Finance Office's annual disclosure report. Wisconsin state bonds maintain a AA rating from Fitch and S&P. Moody's Investors Service, Inc. changed the outlook on state general obligations from "stable" to "positive" while maintaining a rating of Aa2. State bond ratings dropped in the early 2000s and have not risen since.

■ **Joint Committee on Finance.** Members of the legislature's Joint Committee on Finance are set. Republican co-chairs are Sen. Alberta Darling and Rep. John Nygren. Additional GOP members are: Sens. Sheila Harsdorf, Howard Marklein, Luther Olsen, Thomas Tiffany, and Leah Vukmir; and Reps. Mary Czaja, Dean Knudson, Dale Kooyenga, Amy Loudenbeck, and Michael Schraa. Democratic members are Sens. Jon Erpenbach and Lena Taylor, as well as Reps. Chris Taylor and Gordon Hintz. □

In FOCUS . . . recently in our biweekly newsletter

- Did the state "buy down" this year's property tax levy? (#25-14)
- Mind the G-A-A-P: The perpetual deficit is down to $1.4 billion (#26-14)
- New tax rank information brings surprises from south, west (#1-15)