



## Legislative Fiscal Bureau

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May 16, 2001

Joint Committee on Finance

Paper #1011

### Capacity Grant Program Transfer and Funding Reduction (WTCS)

[LFB 2001-03 Budget Summary: Page 713, #4]

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#### CURRENT LAW

The capacity grant program was created in 1999 Act 9 under the Department of Administration (DOA) to provide funds to WTCS districts to develop or expand programs in occupational areas of high demand.

#### GOVERNOR

Transfer the capacity building grant program from DOA to the WTCS Board with \$5,000,000 GPR of base level funding annually. Reduce funding for the program by \$2,000,000 in 2001-02 and \$3,000,000 in 2002-03 so that net funding for the program would be \$3,000,000 in 2001-02 and \$2,000,000 in 2002-03.

#### DISCUSSION POINTS

1. The capacity grant program was created in 1999 Act 9 and funded at a level of \$5.0 million in 2000-01. Although a program designed to benefit only WTCS districts, the appropriation and management of the initiative was housed in the Department of Administration.
2. This program was not requested in the 1999-01 biennial budget submission of WTCS nor was it included in the Governor's 1999-01 executive budget bill. The capacity grant program was not contained in the budgets adopted by the Joint Committee on Finance, Assembly or Senate. Rather, it was included in the report of the 1999-01 budget Conference Committee and subsequently enacted as a part of the 1999-01 budget.
3. Under the capacity grant program, \$5,000,000 was available starting in 2000-01 in a

new appropriation under DOA for grants to WTCS districts to develop or expand programs in occupational areas in which there is a high demand for workers, and to make capital expenditures necessary for such development or expansion.

4. For the initial program grants, DOA gave priority to funding new programs in information technology, machine tools and printing. Typically, such programs require investments in new technology and machinery and, as a result, have high start-up costs. In addition, demand for information technology and machine-tooling courses exceeds capacity at most technical college districts. DOA received approximately 30 proposals to fund new programs totaling more than \$11 million. All 16 districts received at least one grant and four of the districts received two grants in 2000-01. The total amount awarded was \$5 million, with individual grants ranging from \$61,500 to \$487,600.

5. The 20 programs funded in 2000-01 through the capacity grant program include 14 information technology programs, five machine tool programs and one printing program. Most of the grant commitments would provide three years of funding for the establishment of these new programs. Once established, the new programs would help regions alleviate employment shortages and help employers fill high demand jobs by graduating 986 new highly skilled labor market entrants annually. Overall, the new programs will serve more than 2,200 students annually. These programs are listed in an appendix to this paper.

6. In reviewing district applications for capacity grants, DOA ranked the technical college districts funding requests based on involvement of private sector support for the program, innovative approaches to learning, retention strategies and performance measurement data. New programs developed under the capacity grant program were required to take into account the needs of district employers and involve them in program development. Districts were encouraged to propose nontraditional approaches to increasing the supply of skilled graduates through accelerated programs, distance learning and weekend courses.

7. Under the DOA guidelines for the program, WTCS districts that receive funding for capacity building programs are eligible to receive continued funding for up to three years. For three-year funding requests, initial grant awards are fully funded and funded at 60% for the second year and 40% for the third year of the program. After the third year, districts would assume responsibility for continued funding of the programs. In order to receive second- and third-year funding, districts are required to monitor the success of the capacity grant funded programs in increasing job market entrants and student and employer satisfaction.

8. Since the WTCS Board already distributes grants to districts, it could be argued that distribution of capacity grants would be more appropriate if placed with the WTCS Board. According to DOA staff, sufficient resources do not exist within DOA for processing and monitoring capacity grant requests. By moving the appropriation to WTCS, existing WTCS Board resources and knowledge of technical college district needs could be used to target the available funds for new programs to areas with the highest need or the best prospects for meeting employer demands.

9. The Governor's recommended funding for the capacity grant program of \$3 million in 2001-02 and \$2 million in 2002-03 essentially freezes funding for new capacity grants during this biennium. According to DOA budget staff, the reduced funding level recommended by the Governor reflects a balancing of the state's fiscal constraints and a commitment to providing districts with resources to continue the capacity building projects initiated in 2000-01. The \$3 million in 2001-02 would provide full second-year funding at the 60% level for programs approved in 2000-01, and \$2 million in 2002-03 would provide third year funding at the 40% level for continuing programs. In future biennia, the \$2 million base funding would be available for new grants. As an alternative, because the program would be essentially frozen during the 2001-03 biennium, it could be sunsetted effective June 30, 2003.

10. In testimony before the Joint Committee on Finance, the WTCS Executive Director pointed out that districts submitted over \$11 million in eligible funding requests. Demand for new programs remains high and employers continue to report labor shortages for trained information technology employees, health care, skilled trades and other careers suited to technical education. It could be argued that reducing funding for the capacity grants would make it more difficult for technical college districts to train workers for the new economy.

11. Typically, the additional costs to implement or expand a technical college program are funded by the district either through unrestricted general aid, existing state incentive grants, internal reallocations or the property tax. One could argue that funding for the capacity grant program is redundant given the other sources of funding currently available to technical colleges for new program development. In addition to existing state aid grant programs and property tax revenue, districts leverage public funding for new programs or additional courses with contributions from area employers. Since area businesses benefit directly from the development of new programs, one can argue that they should pay for a larger share of the development costs.

12. Despite the funding sources available to technical college district for program development, demand for many programs exceeds the funding ability of many districts. According to WTCS, capacity grant funds, along with other state incentive grants, are an important funding supplement for many districts in order to keep up with course demand, particularly for programs that require expensive investments in technology and machinery. Without the capacity grant, technical districts would be limited in their ability to add to or supplement current programs and costs associated with developing new programs could come at the expense of existing programs.

## **ALTERNATIVES**

1. *Approve Governor's Recommendation.* Approve the Governor's recommendation to transfer the capacity grant program from the Department of Administration to the WTCS Board with \$3,000,000 in 2001-02 and \$2,000,000 in 2002-03.

2. *Maintain Current Base Level Funding.* Modify the Governor's proposal by increasing funding \$2,000,000 in 2001-02 and \$3,000,000 in 2002-03 in order to maintain base

level funding of \$5,000,000 annually.

<b>Alternative 2</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Bill)	\$5,000,000

3. *Eliminate Capacity Grant Program.* Modify the Governor's proposal by eliminating the capacity grant program and deleting \$3,000,000 in 2001-02 and \$2,000,000 in 2002-03.

<b>Alternative 3</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$5,000,000

4. *Sunset Capacity Grant Program.* Modify the Governor's proposal by adding a sunset provision effective June 30, 2003.

5. Maintain current law, which would result in the program remaining at DOA with \$5,000,000 of annual funding (an additional \$2,000,000 in 2001-02 and \$3,000,000 in 2002-03 compared to the bill).

<b>Alternative 5</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Bill)	\$5,000,000

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## APPENDIX

### Distribution of Capacity Grant Awards 2000-01

<u>District</u>	<u>Focus</u>	<u>Funding 2000-01</u>	<u>Number of People Served</u>
Blackhawk Technical College	CNC Technician	\$193,230	60
Chippewa Valley Technical College	Design Verification Adv. Tech Certificate	114,552	100
Chippewa Valley Technical College	CIS, Network Specialist Assoc. Degree	295,241	20
Fox Valley Technical College	CIS Program	334,909	100
Gateway Technical College	CIS	165,456	100
Lakeshore Technical College	Help Desk, Webmaster, CISCO Certificate	111,149	72
Madison Area Technical College	Internet Occupations	410,547	264
Mid-State Technical College	CIS	61,539	20
Milwaukee Area Technical College	Machine Tool & Die	363,248	149
Moraine Park Technical College	CIS Micro Programmer Specialist	156,240	25
Nicolet Area Technical College	CIS, Network Specialist	71,127	40
Northcentral Technical College	CIS Expansion	237,687	55
Northcentral Technical College	Machine Tool	234,813	30
Northeast Wisconsin Technical College	Web Based Micro Assoc. Degree	364,802	50
Northeast Wisconsin Technical College	Machine Tool and Advanced Machining	386,824	32
Southwest Technical College	CIS, Microcomputer Specialist	64,317	18
Waukesha County Technical College	CIS, Network Specialist	315,526	228
Waukesha County Technical College	Printing	400,000	75
Western Wisconsin Technical College	IT Expansion	487,568	400
Wisconsin Indianhead Technical College	Machine Tool	<u>231,226</u>	<u>394</u>
		\$5,000,000	2,232