



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #825

Eliminate and Reduce Current Grant Programs and Create a Health Care Program (WTCS)

[LFB 2003-05 Budget Summary: Pages 464 and 465, #3, #4, #5, and #6]

CURRENT LAW

The additional course sections grant program was created in 1999 Act 9 (the 1999-01 budget) to provide grants to districts for the purpose of adding sections in courses in which student demand exceeds capacity. Base funding is \$2,450,000 GPR annually for these grants.

The capacity grants program was created in 1999 Act 9 to provide funds to WTCS districts to develop or expand programs in occupational areas of high demand. Base funding for the capacity grant program is \$2,000,000 GPR annually.

The WTCS Board awards incentive grants to districts, or consortia of districts in five categories: (a) basic skills--creation or expansion of adult high school, adult basic education and English as a second language courses; (b) emerging occupations--new and expanding occupational training programs, courses or services, and related staff and instructional material development; (c) educational programs, courses or services that would not otherwise be established or maintained because of limitations in district fiscal capacity; (d) technology transfer--programs that assist business and industry in adopting and implementing new technology; and (e) creation or expansion of programs at secured juvenile correctional facilities. Base funding of \$7,533,100 GPR is provided annually for the incentive grants program.

GOVERNOR

Eliminate the additional course section grant program with \$2,450,000 GPR annually, and eliminate the capacity grant program with \$2,000,000 GPR annually, effective July 1, 2003. Reduce funding for the incentive grants program by \$1,000,000 GPR annually.

Provide \$4,340,000 GPR in 2003-04 and \$5,450,000 GPR in 2004-05 in a new, annual appropriation for the WTCS Board to provide grants to technical college districts to expand health care occupation education programs.

DISCUSSION POINTS

1. Under SB 44, a new categorical aid program would be created through which the WTCS Board would award grants to technical college districts to expand health care education programs. This program would be funded at \$4,340,000 GPR in 2003-04 and \$5,450,000 GPR in 2004-05. In order to fund this initiative, the Governor would reduce the incentive grants appropriation by \$1,000,000 GPR annually and the eliminate two existing WTCS grant programs: capacity building grants (\$2,000,000 GPR in base funding), and additional course sections grants (\$2,450,000 GPR in base funding). The Governor's proposal would reduce overall state aid to technical college districts by \$1,110,000 GPR in 2003-04, from \$136,780,600 in 2002-03 to \$135,670,600 in 2003-04; however, overall state aid would be restored to the 2002-03 base level of \$136,780,600 with the additional funding provided for the health care grants program in 2004-05.

Grants for Additional Course Sections

2. The grants for additional course sections program, established in 1999 Act 9, provides grants to WTCS district boards for the purpose of adding sections in courses in which student demand exceeds capacity. 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. In 2002-03, 34 grants were awarded to all 16 districts totaling \$2,449,738. Eligible expenditures are direct instructional costs, instructional supplies, and equipment. More than 70% of the grants to districts were for adding courses in health related fields, including practical nursing, associates degree in nursing, nursing assistant, and other health programs. The remaining awards were focused on expanding technology and vocational programs.

4. According to executive budget staff, the Governor chose to consolidate this program as well as others in order to fund the health care grants program since health care issues were a priority for the Governor in his budget recommendations. In addition, in its agency request, the WTCS Board had itself identified the additional course section program for consolidation in order to fund an economic development program. Nonetheless, the current program gives the WTCS Board the flexibility to change the focus of grants to districts and respond to changing workforce needs.

Capacity Grants

5. The capacity building grants program, which was created in 1999 Act 9, currently

provides funds to WTCS districts to develop or expand programs in occupational areas of high demand. Under program guidelines, WTCS districts that receive funding for capacity building programs are eligible to receive 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 assume responsibility for continued funding of the program.

6. Similar to the grants for additional course section program funding, the capacity grants 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.

7. In 2000-01, the first year of the capacity grant program, the program funds were focused on expanding capacity in information technology programs, machine tool programs, and printing. Most of the programs funded in 2000-01 continued to receive funding through the third year of the program in 2002-03. According to WTCS staff, the Board had directed that starting in 2001-02 available uncommitted funds in the capacity grants program would be directed toward expanding capacity in health care programs. In 2002-03, all 16 districts received grants with 10 of the 38 grants for health-related programs at six districts.

8. In eliminating the capacity grant program, executive budget staff cited the same rationale it used for eliminating the incentive grant program. In addition, since 2002-03 represented the third year of the capacity grant program, there were no outstanding obligations in the 2003-05 biennium related to programs funded by this program in the past.

Incentive Grants

9. The incentive grant program is the largest categorical aid program with base funding of \$7,533,100 GPR in 2002-03. Under current law, the WTCS Board can award grants to districts, or consortia of districts, for developing or expanding basic skill programs, developing new and emerging occupation programs, assisting business and industry in adopting and implementing new technology, and providing technical programs at secured juvenile correctional facilities.

10. According to executive budget staff, it would be up to the WTCS Board how to allocate the proposed funding reduction among the incentive grant programs. The WTCS Board is currently making decisions on how the incentive program grants will be allocated for 2003-04.

11. Under current law, the Board must ensure that \$100,000 annually of the incentive grant funding be provided for nursing programs. Given that SB 44 would reduce incentive grant funding by \$1,000,000 GPR annually and provide funds in a new appropriation exclusively for health care programs, it could be argued that the requirement for the Board to provide funding from the incentive grants appropriation for nursing programs should be eliminated.

Health Care Grants

12. Recent studies have suggested that Wisconsin, like most states, faces a shortage of healthcare workers. Unlike the cyclical shortages of health care workers over the past two decades that were resolved through increased compensation and better working conditions, the current shortage of health care workers is driven primarily by long-term demographic trends that are expected to persist over the next 30 years. The demographic trends include a rapidly aging population, increasing demand for health care workers and services, and a smaller pool of young people entering the workforce to provide services to the older population. In addition to demographic trends, the healthcare field continues to be plagued by low retention rates.

13. The Department of Workforce Development (DWD) reports there were an estimated 10,000 annual job openings in the health care industry between 2000 and 2001. DWD projects that between 1998 and 2008, the number of health care jobs in the state will increase by 45,530, growing from 224,900 in 1998 to 270,430 by 2008. During that same period, there will be an additional 55,000 vacancies in the health care industry due to retirements and other attrition.

14. In Wisconsin, WTCS accounts for approximately two-thirds of all health care worker graduates, with the UW-System and independent colleges and universities accounting for the remaining one-third. According to DWD, approximately 80% of the new job growth in the health care industry will occur in fields in which WTCS provides the majority of graduates, including both associate degree and practical nursing, dental hygiene and dental assistants, radiological technicians, pharmacy technicians, medical assistants, and home health care workers.

15. At this time, the WTCS, UW-System, and private colleges and universities combined do not have the capacity to meet the health care industry's demand for nurses and skilled allied health workers. Technical colleges report that the industry's demand for new workers exceeds available graduates, with job openings for some graduates as high as three times the number of graduates.

16. Although technical college districts have increased capacity in health care programs in recent years, according to WTCS Board staff, funding limitations have prevented the WTCS from increasing capacity to levels sufficient to meet the industry's demand. For example, in 2002-03, the 16 technical colleges combined reallocated \$2.29 million to increase funding and expand capacity in health care programs. Despite the additional reallocation of funding, there were program waiting lists with over 3,000 students seeking to enroll in WTCS health care programs.

17. In order to address the health care workforce shortage and increase capacity, the WTCS Board included a request in its 2003-05 agency budget request for funding a health care grants program with \$4,340,000 GPR in 2003-04 and \$13,000,000 GPR in 2004-05. The agency's request would have been funded with new GPR dollars rather than funds reallocated from existing programs. Under the original agency request, enrollment in health care programs would have increased by an estimated 31% over the 2003-05 biennium and technical college districts would have provided an additional 2,300 health care workers annually by 2004-05.

18. SB 44 creates a new categorical aid program through which the WTCS Board would award grants to technical college districts to expand health care education programs. This program would be funded at \$4,340,000 GPR in 2003-04 and \$5,450,000 GPR in 2004-05. While the Governor's proposal would fully fund the WTCS Board's request for 2003-04, the proposal would fund approximately 42% of the funding requested by the agency in 2004-05. Based on the agency request, the reduced funding provided by the Governor would result in an increase in health care enrollments by approximately 13% over the biennium, with WTCS providing approximately 1,000 additional health care graduates by 2004-05.

19. The Governor's proposed statutory language sets no parameters for the administration of the grant program; thus, the WTCS Board would have the authority to allocate funding based on Board determined guidelines issued to the districts. However, according to the executive budget documents, the intent of the new program is to "expand course capacity, increase minority and male enrollment in health care occupations and accelerate on-line programming." These purposes are consistent with what was outlined in the WTCS Board's 2003-05 budget request for health care program expansion.

20. Given the level of funding for the program provided in SB 44, WTCS staff have indicated that the focus of the new health care grants program would be on adding capacity, providing start-up funding for new health care programs, and encouraging alternative health care education delivery mechanisms (Internet-based learning options). According to WTCS staff, the awards process would most likely be structured to provide funding to districts based on a competitive grant process. Districts would need to justify need and planned use for health care grant funding based on guidelines established by the WTCS Board. While all districts would most likely receive aid, the amount received would depend on the nature of the proposal.

21. The WTCS Board has expressed concern with the timing of the state budget process in planning for the 2003-04 academic year and expanding health-care programs. Given the timing of the WTCS district budget cycle and the need to plan for the 2003-04 academic year, the Committee could choose to begin funding in 2004-05 for the new health grants. However, the WTCS Board has already been providing funding through capacity program and additional course section grants for health care related programs. In addition, the WTCS Board and districts are currently making plans to expand health care capacity based on the funding provided in the Governor's budget. If funding were postponed for a year, districts currently receiving capacity grants and additional course section grants for health care programs would not receive any funding in 2003-04, and other districts would need to postpone health-care program expansion until 2004-05.

22. It could be argued that targeted aid programs, such as the health care grants program proposed in SB 44, provide short-term solutions at best, and that the funds would be better spent if provided to districts in the form of additional general aid or more broadly defined categorical aid programs, such as the capacity grant program, which would provide both the WTCS Board and individual technical college districts the flexibility to allocate the aid as they see fit based on the individual district needs.

23. The WTCS Board currently has the ability to fund health care programs within the existing capacity grant and additional course section grant program parameters if those programs were maintained. Rather than eliminate existing programs and develop a new program, the Committee could decide to retain the capacity grants program, which currently is structured to give the WTCS Board flexibility in making grants to expand capacity based on district needs. Maintaining the additional course sections grant program in addition to the capacity grants program would maintain state-funded grants for districts to expand health care courses, while providing an incentive for districts to identify ongoing funding sources other than state aid.

24. Finally, it could be argued that creating a new GPR-funded program at a time of fiscal constraint would not be desirable allocation of state resources, and that instead, technical college districts should reallocate internally through existing funding sources to increase health care program capacity. Nonetheless, without additional state aid, districts would not be able to significantly increase the capacity of health care programs without increasing property tax revenue (if not at the 1.5 mill limit) or affecting their ability to serve their districts' other workforce training and educational needs. In his testimony to the Committee, the WTCS Board President stated that the WTCS would continue to work to leverage state, federal, local, and private resources to increase the WTCS districts' ability to meet the state's health care needs, but that the additional funding provided in SB 44 would represent an important step in addressing health care workforce shortages and leveraging funds from other sources.

ALTERNATIVES

A. Grants for Additional Course Sections

1. Approve the Governor's recommendation to eliminate the additional course section grants program with \$2,450,000 GPR annually.
2. Delete provision.

<u>Alternative A2</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$4,900,000

B. Capacity Grant Program

1. Approve the Governor's recommendation to eliminate the capacity grant program with \$2,000,000 GPR annually.
2. Delete provision.

<u>Alternative B2</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$4,000,000

C. Incentive Grant Program

1. Approve the Governor's recommendation to reduce funding for the incentive grant program by \$1,000,000 GPR annually.
2. Modify the Governor's recommendation to also eliminate the statutory requirement that the WTCS Board allocate at least \$100,000 of incentive grant funding for nursing programs.
3. Delete provision.

<u>Alternative C3</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$2,000,000

D. Health Care Grants Program

1. Approve the Governor's recommendation to provide \$4,340,000 GPR in 2003-04 and \$5,450,000 GPR in 2004-05 to expand health care programs.
2. Modify the Governor's proposal to delete \$4,340,000 GPR in 2003-04, so that the programs would start with \$5,450,000 GPR in 2004-05 to expand health care programs.

<u>Alternative D2</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	- \$4,340,000

3. Delete provision.

<u>Alternative D3</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	- \$9,790,000

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