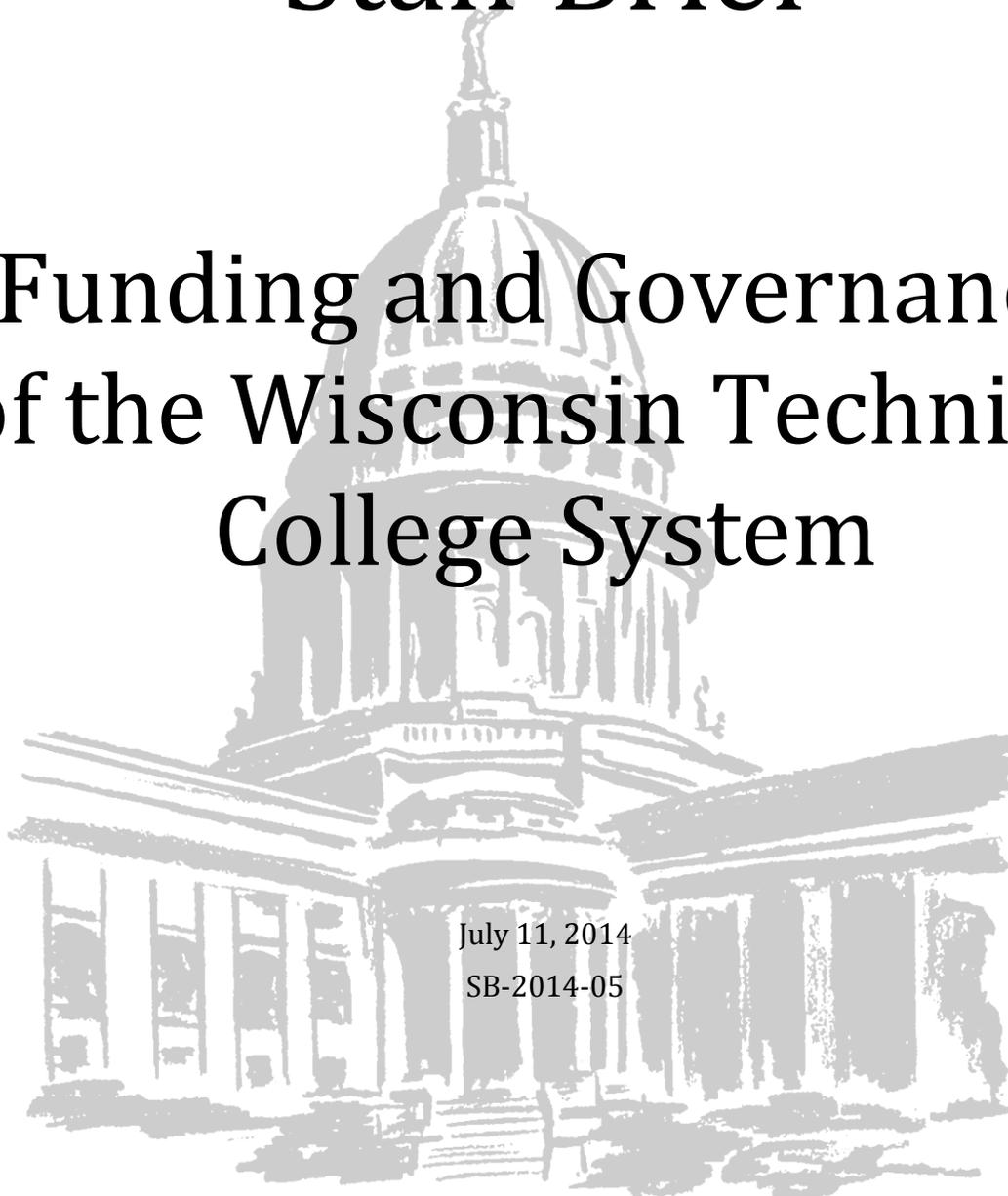




Staff Brief

Funding and Governance of the Wisconsin Technical College System



July 11, 2014

SB-2014-05

Wisconsin Legislative Council
One East Main Street, Suite 401
Madison, WI 53703-3382
Phone: (608) 266-1304
Fax: (608) 266-3830

www.legis.wisconsin.gov/lc

INTRODUCTION

This Staff Brief provides information on state statutes pertaining to the governance and funding of the Wisconsin Technical College System (WTCS). It was prepared for the Study Committee on Review of Wisconsin Technical College System Funding and Governance. The committee is charged with reviewing the current governance model of the WTCS in the interest of transferring governance responsibilities of local district boards to the state WTCS Board and examining the current funding model for the WTCS with a preference toward reassigning current local property tax revenue to a broader state tax source.

- *Part I* describes the structure and functions of the WTCS and the duties and authority of the WTCS State Board (state board).
- *Part II* describes the composition, authority, and activities of technical college district boards (district boards).
- *Part III* describes how the WTCS is financed.

This Staff Brief was prepared by Mary Matthias, Principal Attorney, and Dan Schmidt, Principal Analyst.

PART I—STRUCTURE AND FUNCTIONS OF THE WTCS AND STATE BOARD

Chapter 38 of the Wisconsin statutes establishes the WTCS (or System), defines its mission and purpose, and governs many aspects of its operations. The WTCS is made up of 16 technical college districts, each with its own technical college. Together these 16 districts encompass the entire state. The WTCS state board, which is served by the System office, oversees the WTCS, and each local district is governed by its own local district board. The state board has promulgated administrative rules, which have the force of law, to guide its own activities and those of local districts. The statutes set forth specific duties and authority for the state board and district boards, which are described in Part I below.

OVERVIEW OF THE WTCS

In 1911, Wisconsin became the first state to establish a system of state aid and support for industrial education. The current WTCS consists of 16 technical college districts, with 48 main and satellite technical college campuses.

Under state law, the principal purposes of the WTCS are as follows:

- To provide occupational education and training and retraining programs, including the training of apprentices, that enable residents to obtain the knowledge and skills necessary for employment at a technical, paraprofessional, skilled, or semiskilled occupation. This includes general education courses to facilitate student achievement in occupational skills training.
- To provide customized training and technical assistance to business and industry in order to foster economic development and the expansion of employment opportunities.

State law establishes the additional purposes of the WTCS as follows:

- To contract with secondary schools, including tribal schools, to provide educational opportunities for high school age students in order to enhance their potential for benefiting from postsecondary education and for obtaining employment.
- To coordinate and cooperate with secondary schools, including tribal schools, to facilitate the transition of secondary school students into postsecondary technical college education through curriculum articulation and collaboration.
- To provide a collegiate transfer program. However, collegiate transfer programs may not comprise more than 25% of the approved credit hours offered in any technical college district.
- To provide community services and avocational or self-enrichment activities.

- To provide education in basic skills to enable students to effectively function at a literate level in society.
- To provide education and services which address barriers created by stereotyping and discrimination and to assist minorities, women, and the handicapped or disadvantaged to participate in the work force and the full range of technical college programs and activities.

WTCS STATE BOARD

Membership of the State Board

The WTCS is established in state law as an independent agency. It is governed by the 13-member WTCS state board which is also established by statute. [s. 15.94, Stats.] The following three members hold their position on the state board by virtue of holding another office:

- The State Superintendent of Public Instruction or the superintendent's designee.
- The Secretary of the Department of Workforce Development or the secretary's designee.
- The President, or by his or her designation another member, of the Board of Regents of the University of Wisconsin System.

The following 10 members are nominated by the Governor, and with the advice and consent of the Senate, appointed. They each serve six-year terms, except for the student member, who serves a two-year term:

- One employer of labor.
- One employee who does not have employing or discharging power.
- One person whose principal occupation is farming and who is actually engaged in the operation of farms.
- One WTCS student enrolled at least half-time and in good academic standing who is at least 18 years old and a Wisconsin resident.
- Six additional members appointed for six-year terms.

Duties and Authority of the State Board

State law grants the state board the broad authority to “determine the organization, plans, scope and development of technical colleges.”

The primary duties of the state board specifically set forth in the statutes are the following:

- **System president and staff.** The state board must appoint a System president and staff.
- **Educational offerings.** The state board has responsibility for the initiation, development, maintenance, and supervision of programs with specific occupational orientations

below the baccalaureate level, including associate degrees, training of apprentices, and adult education below the professional level.

- **Tuition and admission policies.** The state board must establish all of the following: (a) program fees (tuition) and materials fees charged to students, pursuant to a statutory formula; (b) procedures to determine the residence of students attending district technical colleges; (c) the priority to be given by a district board in admitting students who are residents of the district, students who are not residents of the district but are residents of this state, and students who are not Wisconsin residents; and (d) fee and tuition refund policies. The state board has set forth some of these policies in ch. TCS 10, Residency, Admissions and Fee Refund, Wis. Adm. Code. [See Part III of this Staff Brief for more information on the process by which student fees are established.]
- **Qualifications of teachers.** The state board must establish the qualifications of educational personnel in technical colleges. To carry out this duty, it has promulgated ch. TCS 3, Certification of Personnel: Requirements and Procedures, Wis. Adm. Code, which establishes standards and procedures for the approval of minimum academic, occupational, and teaching requirements for personnel who provide instruction for which district credit may be granted.
- **Approval of courses and programs.** The state board must approve the courses of study for each program offered in technical colleges. The state board may not consider any course of study for approval unless it has first been approved by the district board.
- **Review and approval of facility proposals.** The state board must review and approve proposals by district boards for land acquisition, additional or new facilities, rentals and major remodeling of existing facilities, and leasing facilities or property to others. The procedures for state board approval of these proposals are set forth in ch. TCS 5, Facility Development Procedures, Wis. Adm. Code.
- **District budget, audits, and finance.** The state board must establish all of the following: (a) uniform reporting methods for fiscal, enrollment, program and other information provided by the district boards; (b) rules governing annual district audits; and (c) a detailed uniform financial fund accounting system, applicable to all district boards. The state board has established these in ch. TCS 7, District Budget, Audit and Finance, Wis. Adm. Code.
- **District policies.** The state board must establish, by administrative rule, policies and procedures applicable to all districts on all of the following matters: (a) employee and district board member travel and expenses; (b) procurement; (c) personnel, including the district director; and (d) contracts to provide services. These rules are set forth in chs. TCS 6, General District Policies, and TCS 8, Contract for Services, Wis. Adm. Code.
- **District board appointments.** The state board must establish, by administrative rule, the criteria and procedures for its review of district board member appointments. The state board has promulgated these rules as ch. TCS 2, District Board Member Appointments, Wis. Adm. Code.

- **State aid.** The state board distributes state aid to district boards in amounts determined by a statutory formula. The state board is authorized to withhold state aid payments from a district that fails to comply with certain requirements. Rules governing aid payments and withholdings are set forth in ss. TCS 7.09 and 7.10, Wis. Adm. Code. [For more information on state aid to district boards, see Part III of this Staff Brief.]

WTCS System Office

State law authorizes the state board to appoint a director, commonly referred to as the System president, outside the classified service, to serve at its pleasure, and such staff as is necessary under the classified service. The System office is currently authorized for a staff of 56.5 full-time equivalent positions, including 23.25 general purpose revenue (GPR) positions, 28.75 positions funded with federal funds, and 4.5 program revenue positions.

The System president may appoint an executive assistant, outside the classified service, to serve at his or her pleasure.

According to System office staff, the structure and primary activities of the System office are as follows:

- The Strategic Advancement Team provides leadership for systemwide policy analysis and development, public outreach, and federal and state government relations. It is responsible for coordination of systemwide budgeting and planning, research, and labor market information.
- The Office of Management Services and the Office of Technology and Data Governance have oversight responsibility for internal operations including accounting, budgeting, procurement, payroll, human resources, facilities, and information technology. In addition, the division provides guidance to the technical colleges in developing financial policies and standards, distributes state aid, and assists the state board in determining student fees and tuition rates and in approving college facility development projects. The offices are also responsible for information management and oversight of college budgets, financial reporting, and enrollments.
- The Office of Instruction is responsible for program definition, approval, evaluation, and review, including programs in agriculture, office services, business, marketing, family and consumer education, health occupations, trade and industry (including apprenticeship, fire service, law enforcement, safety, and technical and vocational training), general education, environmental education, and personnel certification. It serves as liaison to secondary schools, and provides statewide leadership for dual enrollment programs.
- The Office of Student Development and Assessment is responsible for coordination of state and federal grant programs, student financial aid, federal projects for the disabled and disadvantaged, adult and continuing education outreach, adult basic education and English language learning, and Workforce Investment Act projects. It serves as liaison to business and industry.

- The Director of Strategic Partnerships and External Relations serves as a member of the agency's leadership team, is the WTCS Public Information Officer, and functions as the liaison between WTCS and a wide variety of internal and external partners, among other duties.

PART II—STRUCTURE AND FUNCTIONS OF DISTRICT BOARDS

Each technical college district is governed by a nine-member appointed district board. District board members take office on July 1 and serve staggered three-year terms. The requirements for membership on district boards, and the process by which the members are appointed, are described below. The requirements applicable to the Milwaukee Area Technical College District Board are different from those for all other district boards.

MEMBERSHIP OF DISTRICT BOARDS

Milwaukee Area Technical College District Board

The membership of the Milwaukee Area Technical College District Board is as follows:

- Three members who represent employers with 15 or more employees.¹
- Two members who represent employers with 100 or more employees.
- One school district administrator employed by the school board of a school district located in the district.
- One elected official who holds a state or local office.
- Two additional members.

Seven of the nine members must be residents of Milwaukee County, and at least two of the employer members must represent employers who are manufacturing businesses. The employer and employee members must be representative of the various businesses and industries in the district.

Other District Boards

Each district board, other than the Milwaukee Area district board, consists of the following nine members who must each be a resident of the district:

- Two employers.

¹ For the Milwaukee Area Technical College District Board, "employer" means a business entity, nonprofit organization that provides health care services, credit union, or cooperative association. [s. 38.08 (1) (a) 1r., Stats.] For all other district boards, "employer" means any person who receives earnings as payment for personal services and possesses the power to hire, transfer, suspend, layoff, recall, promote, discharge, assign, reward, or discipline other employees, or adjust employee grievances, or effectively recommend such action, if in connection with the exercise of such power the person exercises independent judgment in relation to the power; employer does not include a person acting in the capacity of officer or agent of a labor organization. Employee means any person who is not an employer and who receives earnings as payment for personal services, and includes a person acting in the capacity of officer or agent of a labor organization. [s. TCS 2.02 (4) and (5), Wis. Adm. Code.]

- Two employees.
- Three additional members.
- One school district administrator employed by the school board of a school district located in the district.
- One elected official who holds a state or local office.

The employer and employee members must be representative of the various businesses and industries in the district. Of the three additional members, no more than two may be employers, no more than two may be employees, no more than three may be school district administrators, and no more than three may be elected officials. No two members of the district board may be officials of the same governmental unit nor may any district board member be a member of the school board that employs the school district administrator member.

APPOINTMENT OF DISTRICT BOARD MEMBERS

Appointment Committee

All district board members are appointed by an appointment committee. Each committee must develop a plan of representation for the district board and follow certain notice and hearing procedures, which are described below. The state board reviews all appointments for compliance with statutory requirements and may nullify appointments that do not comply.

The membership of appointment committees is prescribed by statute and, except for Milwaukee, is dependent on how the district was initially created. If the petition for creation of a district was filed by the governing bodies of counties or any combination of school districts, counties, and municipalities, the appointment committee consists of the county board chairpersons of counties having territory within the district. If a district was created pursuant to a petition filed by the governing bodies of school districts or municipalities, appointments are made by a committee of school board presidents of school districts within the technical college district.

In the 13 districts other than the Milwaukee Area, Southwest, and Fox Valley districts, the appointment committee consists of the county board chairpersons of counties within the district.

In the Southwest and Fox Valley districts, the appointment committee is made up of school board presidents of school districts within the technical college district.

In the Milwaukee Area Technical College District, the appointment committee consists of the Milwaukee county executive and the chairpersons of the Milwaukee, Ozaukee, and Washington county boards.

The chairperson of the appointment committee is the member from the governmental unit represented on the committee with the largest population. The county executive of Milwaukee County is the chairperson of the appointment committee for the Milwaukee Area Technical College District Board.

Plan of Representation

The appointment committee must develop a plan of representation for board membership that gives equal consideration to the general population distribution and to the distribution of minorities and women within the district. In addition, the plan for the Milwaukee Area Technical College District Board must give equal consideration to the distribution of minorities within the City of Milwaukee. The state board must review all district board appointments to determine whether they comply with the provisions of the plan of representation.

Appointment Procedures

Notice of Vacancy

On or before the first Monday in March, or within 30 days of the date on which a vacancy on the district board occurs, the district board secretary must notify each member of the appointment committee, each governing body that has a member on the appointment committee, and the district board of the vacancy or of the terms of office which will expire during the year.

Notice of Intent to Fill a Vacancy; Solicitation of Candidates

Upon receiving notice of a vacancy or term expiration, the appointment committee must publish a notice announcing its intent to appoint district board members. The notice must include the criteria for selection of members and must also solicit the submission of names and qualifications of candidates. This notice must be published at least 14 days before publication of the notice of the public hearing at which candidates are considered.

Submission of Names and Qualifications by Candidates

In order to be eligible for consideration for appointment to the district board, a candidate must submit his or her name and qualifications to the appointment committee within 14 days of the date of publication of the notice of intent to fill vacancy.

Public Hearing

Prior to making any appointments, the appointment committee must hold a public hearing at which the names and qualifications of individuals being considered for appointment to the district board are discussed. No person may be appointed unless his or her name appeared in at least one notice of a public hearing or meeting of the appointment committee and he or she provided references to the committee, was interviewed by the committee, and attended the public hearing at which his or her appointment to the district board was discussed. A notice of the hearing must be published at least 14 days in advance and must contain the names of individuals being considered for appointment.

Meeting to Make Appointments

The appointment committee must hold a meeting to formulate and approve a representation plan and to appoint district board members. The meeting must be held no later than 60 days after receipt of notification of a vacancy or term expiration, or 60 days after a spring election if a vacancy occurs within 120 days preceding a spring election. A notice of the meeting

must be published at least 14 days in advance and must contain the names of individuals being considered for appointment.

Failure to Reach Agreement

If the appointment committee cannot reach agreement on the representation plan and district board membership within 30 days after its first meeting, the state board must formulate the plan and appoint the district board members in accordance with the plan.

State Board Review

If the state board determines that district board appointments do not comply with the plan of representation or the statutory requirements for district board membership, the state board must notify the appointment committee of the noncompliance. Within 45 days after receipt of the state board's determination that the district board appointments are in noncompliance, the appointment committee must make revised appointments. If the state board determines that those revised appointments are noncompliant, it must formulate a plan of representation and appoint the district board members.

DUTIES AND AUTHORITY OF DISTRICT BOARDS

Primary Duties of District Boards

State law provides that except as otherwise provided by statute, each district board has exclusive control of the technical colleges established by it and of property acquired for the use of those colleges. The primary duties of district boards specifically set forth in the statutes are the following:

District president, staff, and teachers. Each district board must employ and set the compensation of a district director, commonly referred to as the district president, who has authority for the general supervision and management of the development and work of the technical college. The district board must execute a contract with the president that sets forth the terms and conditions of employment. The district board must also hire necessary supervisors, coordinators, teachers, and technical advisers and experts, as well as clerical assistants, custodians, and other employees.

Programs and courses. Each district board is authorized to develop or eliminate programs and courses, with state board approval. The district boards must maintain courses at standards acceptable to national, regional, and professional accrediting agencies and associations. Collegiate transfer programs may not comprise more than 25% of the approved credit hours offered in any technical college district.

Annual budget and audit. Each district board must prepare its annual budget in compliance with s. TCS 7.05, Wis. Adm. Code. The district board must submit an approved copy of its budget to the state board by July 1 of each year and must report any subsequent budget modification to the state board within 30 days of approval of the modification by the district board. The district board must annually authorize an audit of the district in accordance with s. TCS 7.08, Wis. Adm.

Code. The district board must submit the audit report to the state board no later than six months following the end of each fiscal year.

Property tax levy. Each district board is authorized to set and assess a property tax levy within statutory limits. See Part III of this Staff Brief for more information on the district board property tax levy.

Contracts to provide services. A district board may enter into contracts to provide any of the following: (a) educational services to public and private educational institutions, tribal schools, federal and state agencies, local governmental bodies, industries, and businesses; (b) basic skills instruction, together with a local community-based organization; and (c) fiscal and management services to public and private educational institutions, tribal schools, federal and state agencies, and local governmental units.

Advisory committees. District boards may establish advisory committees representing every occupation in the district, consisting of equal numbers of employers and employees. Members are selected by the district board from recommendations submitted by representative organizations and associations of each occupation. The district board and the district director may request the advice and assistance of these advisory committees in selecting, purchasing and installing equipment, in preparing course materials, in developing instructional methods and vocational guidance programs, and for such other purposes as the district board desires.

Capital building program. A district board may develop a capital building program, subject in some cases to state board approval and referendum, as described below. Specifically, a district board may do all of the following: (a) purchase or lease materials, supplies and equipment; (b) purchase or lease suitable land and buildings and rent to others any portion of such land and buildings not needed for technical college purposes; and (c) construct, enlarge, and improve buildings. Existing technical college buildings and equipment must be used as far as practicable.

In addition, with the approval of the System president, a district board may sell any property which it finds to be no longer needed by the district.

Shared Governance

State law provides for “shared governance” of technical colleges. Specifically, the statutes provide that that the students of each district shall be active participants in the immediate governance of and policy development for the district and may participate in all matters affecting student interests, to the extent not in conflict with the terms of any collective bargaining agreement. This participation is subject to the responsibilities and powers of the state board, the System president, the district board, the district president, and the faculty.

Under the statute, students have primary responsibility for the formulation and review of policies concerning student life and services. Students, in consultation with the district president and subject to the final confirmation of the district board, have the responsibility for the disposition of student activity and incidental fees.

The students of each district may organize themselves in a manner that they determine and select their representatives to participate in district governance. The statute does not prohibit the

state board, the System president, the district board, the district president, or the faculty from selecting students to participate in district governance but any students selected by those bodies or persons are not considered to be representatives of the students for the purposes of the students' right to select their representatives to participate in district governance.

Financing of Capital Expenditures

As discussed in detail below, district voters must approve, by referendum, certain capital expenditures of more than \$1.5 million by a district board. These requirements do not apply to the expenditure of moneys received from gifts, grants, or federal funds.

Covered expenditures. Capital expenditures by a district board in excess of \$1.5 million, made for any of the following purposes, are subject to the referendum approval process described below:

- The acquisition of sites.
- The purchase or construction of buildings.
- The lease/purchase of buildings, if costs exceed \$1.5 million for the lifetime of the lease.
- Building additions or enlargements.
- The purchase of fixed equipment relating to any of the activities above.

All projects located on a single campus site, within one district, which are bid concurrently or which are approved by the state board within a two-year period, are considered to be one capital expenditure project.

Referendum Requirement

A district board that intends to make a capital expenditure described above must adopt a resolution that states its intention to do so and identifies the anticipated source of revenue for each project. The district board must submit the resolution to a referendum of the electors of the district for approval. The referendum is subject to the same statutory requirements that apply to a referendum regarding the issuance of a bond by a municipality.

Limitation on use of reserve funds. No more than \$1 million in reserve funds, consisting of property tax revenues and investment earnings on those revenues, may be utilized by a district board to finance capital expenditures in excess of \$1.5 million for the purposes listed above.

Projects with federal financing. The referendum requirement and the limitation on the use of reserve funds do not apply to a capital expenditure of \$2.5 million or less if the district board receives an equal amount of federal funds for the project. If a district board makes such a capital expenditure, the limit on capital expenditures for the same project in the succeeding two-year period is reduced by the amount expended that exceeded that limit.

Exceptions. The referendum requirement does not apply to either of the following:

- Building remodeling or improvement projects.

- The portion of a capital expenditure that is funded with student housing payments for the purchase or construction, or the lease/purchase, of a student residence facility if the district board uses no revenue derived from its tax levy, state aid, or fees and tuition collected for the purchase or construction, or the lease/purchase, of the student residence facility.

PART III–SUMMARY OF WTCS FUNDING

The WTCS districts are funded primarily by five sources: property tax revenues; state aid; tuition and fees; federal aid; and self-financing and miscellaneous revenues. In the 2012-13 fiscal year, total revenues for the WTCS districts were \$1,521,500,000. The approximate percentage of this total amount that was provided by each of these funding sources is as follows:

- | | |
|--|-------|
| 1. Property taxes | 51.7% |
| 2. State aid | 8.7% |
| 3. Tuition and fees | 18.4% |
| 4. Federal aid | 3.4% |
| 5. Self-financing and miscellaneous revenues | 17.8% |

A number of changes were made to the statutes regarding WTCS district revenues in the 2013-14 Legislative Session. As a result, in general, there was a reduction in the proportion of revenues derived from property taxes and an increase in revenues derived from state aid. The following sections of this Staff Brief summarize each of the funding sources and describe the applicable statutory provisions prior to 2013 Wisconsin Act 20 (the 2013 Budget Act), after the 2013 Budget Act, and after 2013 Wisconsin Act 145 (Special Session Senate Bill 1), where appropriate.

PROPERTY TAXES

Prior to the 2013 Budget Act

Prior to enactment of the 2013 Budget Act in July 2013, property tax was the largest source of revenue for the WTCS, comprising approximately 50% of total revenues. State law limited the levy of property taxes by WTCS districts to \$1.50 per \$1,000² of the district's equalized property valuation³, also referred to as the operational mill rate. In addition, a district board's tax levy in 2011 and 2012 was prohibited from exceeding the district's 2010 tax levy or the amount generated using the 2010 mill rate. There was an exemption for changes in property taxes that were the result of the redetermination of a district's equalized valuation as determined by the Department of Revenue (DOR). Taxes levied for the purpose of paying principal and interest on bonds and notes were generally excluded from this limitation.

District boards were allowed to exceed the levy limits only if the excess levy was approved by voters in a referendum. (The referendum requirement and procedures, and the consequences of a district exceeding its allowable levy, were similar to those under current law, described below.)

² This calculation is commonly referred to as 1.5 mills.

³ Equalized property value means the full value of taxable property in a district, minus the value of any tax incremental financing districts.

2013 Budget Act

The 2013 Budget Act repealed the 1.5 mill rate levy limit and modified state law to prohibit a district board's tax levy in any year from increasing over the prior year's levy by a percentage greater than the district's "valuation factor."⁴ Under the Act, if a district chooses not to levy the full amount of tax permitted under the valuation formula in any year, the allowable increase on a forward basis is a maximum increase of up to 0.5% of the actual revenue in that prior school year, provided that the district board approves the increase by a 3/4 vote. Future levy limits are re-determined by DOR based on the district's equalized valuation. As under prior and current law, a district could exceed the maximum levy amount if approved through a referendum.

2013 Act 145

2013 Act 145, which was enacted on March 24, 2014, established an appropriation of \$406 million in GPR for WTCS districts and required districts to reduce property tax levies by an equal amount beginning with the property tax levied on January 1, 2015. Under Act 145, each district board will receive an amount calculated by: (a) dividing the district's equalized value as of January 1, 2014, by the total equalized value of all districts as of January 1, 2014; and (b) multiplying the quotient determined under (a) by \$406 million. This amount is referred to as property tax relief aid. Under current law, each district will continue to receive this amount of aid in future fiscal years.

Act 145 requires districts to reduce the local property tax levy by the amount of GPR received under the prior calculation. Instead of imposing a "levy limit," as under prior law, Act 145 imposes a "revenue limit." The revenue limit is the maximum amount of revenue a district may receive from the combination of the district's tax levy and the amount of property tax relief aid it receives. In the 2014-15 school year and for each school year thereafter, a district board may not increase its revenue by a percentage that exceeds the district's valuation factor.

In order to exceed the maximum revenue limit, a district board must adopt a resolution supporting inclusion in the final district budget of an amount equal to the proposed excess revenue and follow specific notification and referendum requirements. Following adoption, a district board must notify the WTCS Board of the resolution and submit a copy of the resolution to the WTCS Board. The district board must then call for a special election⁵ for the purpose of submitting the resolution to the electors of the district for their approval or rejection.

⁴A district's valuation factor is the percentage equal to the greater of either zero percent or the percentage change in the district's January 1 equalized value due to the aggregate new construction, less improvements removed, in municipalities located in the district between the previous year and the current year, as determined by DOR.

⁵ A district board may hold a referendum at the next succeeding spring primary or election or partisan primary or general election in lieu of a special referendum provided that the election is at least 70 days (formerly 42 days) after the resolution is filed with the WTCS Board.

If the state board determines that a district board's revenue exceeds that permitted by law, the state board must generally do all of the following:

- Reduce the amount of state aid payments to the district board in the school year in which the district board exceeded its limit by an amount equal to the amount of the excess revenue.
- Ensure that the amount of any reductions in state aid lapses to the general fund.
- Ensure that the amount of the excess revenue is not included in determining the limit under this subsection for the district board for the following year.
- Ensure that, if a district board's excess revenue exceeds the amount of state aid that may be reduced; the excess amount is subtracted from state aid payments in the following years until the total amount of the excess revenue is subtracted from the state aid payments.

STATE AID

Prior to the 2013 Budget Act

Prior to the 2013 Budget Act, technical college districts received state aid funding through the general state aid program and through 15 different categorical aid programs including incentive grants, health care education programs, training program grants, and a variety of other individual program appropriations.

The general state aid formula is intended to partially equalize the financial status of the 16 local districts by adjusting for property tax revenues. The districts with lower property tax revenue receive a higher percentage of aid through the general formula than those with higher property tax revenues. The formula is calculated using the following factors:

- **Aidable cost.** The operational costs for post-secondary, vocational-adult and collegiate transfer instructional programs, and debt service.
- **FTE students.** The number of students enrolled in post-secondary, vocational-adult and collegiate transfer courses, expressed as FTE in order to adjust for the significant number of part-time students.
- **Equalization index.** The ratio of the current year value of taxable property behind each FTE student in a district to the statewide average, multiplied by the district's aidable cost.
- **Nonstatutory percentage factor.** The percentage of cost reimbursable each year calculated by dividing the total amount available for general aid into the total equalized aidable cost.

The Legislative Fiscal Bureau (LFB) prepared the following example as a sample aid calculation of general aid for Moraine Park Technical College based on 2011-12 data:

1. Aidable cost equals \$36,384,695.

2. District equalized valuation per FTE student equals \$7,796,693.
3. Statewide equalized valuation per FTE student equals \$6,159,574.
4. \$6,159,574 divided by \$7,796,693 equals 0.79002, which is the district's equalization index.
5. 0.79002 times \$36,384,695 equals the district's equalized aidable cost of \$28,774,637.
6. The total amount available for general aid (\$83,534,900) is divided into the statewide equalized aidable cost of \$873,730,607 to yield 9.56%.
7. The district's equalized aidable cost of \$28,774,637 is multiplied by 9.56% to yield \$2,748,200, the district's estimated state aid entitlement for 2011-12.

In order to further demonstrate the intent of tax base equalization, the LFB notes that in 2011-12, Waukesha, a relatively high property value district, would have received about \$5.7 million in state aid on a straight percentage reimbursement basis based on its net aidable cost, but due to the equalization index, its aid payment was under \$3.0 million. The Northcentral District, which had the lowest property valuation behind each student, would have received about \$3.5 million if all districts were provided an equal percentage of cost, but instead received \$4.9 million because of the equalization index.

2013 Budget Act

The 2013 Budget Act eliminated the categorical aid programs and consolidated these funds into a single appropriation that the WTCS Board must award to districts for activities related to the same performance criteria as general state aid. The budget also introduced the new system of performance based budgeting described below.

Beginning in fiscal year 2014-15, 10% of general state aid will be allocated to technical colleges based on the district's performance in seven of nine performance categories over the previous three fiscal years. The nine performance categories include:

- The placement rate of students in jobs related to students' programs of study.
- The number of degrees and certificates awarded in high-demand fields.
- The number of programs or courses with industry-validated curricula.
- The transition of adult students from basic education to skills training.
- The number of adult students served by basic education courses, adult high school or English language learning courses, or courses that combine basic skills and occupational training as a means of expediting basic skills remediation, and the success rate of adult students completing such courses.
- Participation in dual enrollment programs.
- The workforce training provided to businesses and individuals.
- Participation in statewide or regional collaboration or efficiency initiatives.

- Training or other services provided to special populations or demographic groups that can be considered unique to the district.

The proportion of state aid distributed under this formula will increase by an additional 10% per year until it equals 30% of general state aid in fiscal year 2016-17. In each year, state aid that is not distributed under the performance-based formula will continue to be distributed under the general aid formula described previously.

Twenty-five percent of the total available performance funding is divided equally among the nine criteria as a base allocation. The remaining 75% of funding is distributed proportionately to each of the criteria based on the number of technical colleges selecting the criteria. If a category is not selected by any of the colleges, the base allocation and proportional funding will be redistributed to the remaining categories. For more information regarding the performance-based funding allocation model adopted by the WTCS and approved by the Joint Finance Committee, see the summary prepared by WTCS staff in Appendix I.

2013 Act 145

Act 145 did not make any changes to the state aid formula adopted under the 2013 budget.

In addition, the 2013 budget and 2013 Act 145 did not make any significant changes to the remaining sources of WTCS funding described below.

TUITION AND FEES

Tuition Formula

Under state law, the state board is responsible for estimating resident tuition rates for both liberal arts collegiate transfer programs and post-secondary and vocational-adult programs. The state board calculates an annual estimate of the statewide operational cost per FTE student for each fiscal year and provides this estimate to each district board. The district board then establishes tuition and fee rates based the state board estimates. District boards must charge uniform tuition fees of at least 31% of the statewide average operational costs of liberal arts collegiate transfer programs in technical colleges and at least 14% of the combined estimated statewide operational cost of post-secondary and vocational-adult programs. The state board may set higher percentages in order to generate more revenue. In 2012-13, for example, the rate for liberal arts collegiate transfer programs was established to recover 46.2% of costs, and the rate for post-secondary and vocational-adult programs was established to recover 22.8% of costs. For more specific information on the factors and calculations the state board uses to set tuition rates, see the formula explanation prepared by the LFB in Appendix II of this brief.

Materials Fees

The state board establishes uniform fees charged to all students for the costs of consumable materials. These fees vary based on the level of consumable goods required for each type of course.

Tuition and Fee Remissions

The following categories of students are generally exempt from paying tuition and fees:

- Students over the age of 62 who are enrolled in vocational-adult programs.
- Resident students age 60 and over who wish to audit a course.
- Students enrolled in adult high school, adult basic education and English as a second language courses.
- Students enrolled in courses under certain federally funded programs.
- Qualified veterans, their spouses and children for up to 128 credits or eight semesters.
- Students who are the surviving spouses or children of fire fighters, law enforcement officers, correctional officers, ambulance drivers, or emergency medical services technicians, who are killed in the line of duty in Wisconsin.

Reciprocity

Wisconsin has reciprocity agreements which allow students in neighboring states to attend technical colleges that may have a more favorable location or program for a student. These reciprocity agreements exist between the state board and institutions in Minnesota, Michigan, Illinois, and Iowa.

FEDERAL AID

Student Financial Aid

Approximately 20% of total system revenue comes from federal aid. About 80% of funds received by local districts from the federal government are in the form of student financial aid. While other federal funds go directly to specific programs in local districts, the two largest federal aid programs for the system as a whole, after student financial aid, are the Carl Perkins Career and Technical Education Act and the Adult Education and Family Literacy Act.

Carl Perkins Career and Technical Education Act

The Carl Perkins Career and Technical Education Act provides financial support for postsecondary and adult education through a formula-based grant for services to special populations and program improvement, competitive-based grants targeted for nontraditional employment and training as well as pre-technical learning and work-based learning, and targeted grants to implement the technical education program for criminal offenders.

Adult Education and Family Literacy Act

The Adult Education and Family Literacy Act provides financial support for programs and services in adult education and literacy.

SELF-FINANCING OPERATIONS AND MISCELLANEOUS REVENUES

Approximately 18% of system revenue comes from self-financing operations and miscellaneous revenues. These operations generally include food service, bookstores, equipment sales, and interest income. They may also include revenues from contracts to provide educational services to businesses or other institutions.

APPENDIX I

Formula for Allocating WTCS Performance Funding

June, 2014

Selection of Seven of the Nine Performance Criteria

The statute provides that performance funding be based on a college's performance with respect to seven of the nine performance criteria. Annually, each college will designate which of the seven criteria will be used for its allocation. This annual designation will be made prior to aid being calculated for each fiscal year.

Three Years of Data

The statute requires that the formula be based on performance data in the three previous fiscal years. To avoid having to make adjustments to amounts after the fiscal year has begun, the three most recent fiscal years for which actual data is available will be used. For example, the distribution in 2014-15 will be based on data from 2010-11, 2011-12 and 2012-13.

Allocation of Funds Among the Nine Criteria

The statute provides that the formula be based on a college's performance with respect to seven of the nine performance criteria and each college is allowed to designate which of the seven criteria will be used for their allocation. This annual designation will be made prior to aid being calculated for each fiscal year.

Twenty-five percent of the available performance funding in 2014-15 ($\$8,853,490 \times .25 = \$2,213,372.50$) will be divided equally among the nine criteria ($\$245,930$) as a base allocation of funds for each criterion. If a criterion is not selected by all the colleges, the base allocation will be redistributed among the other criteria. The remaining 75% of funds will be distributed proportionately among the nine criteria based on the number of colleges selecting a particular criterion. For example, if 12 colleges select a criterion, that number is multiplied by an equal share amount ($12 \times \$59,287 = \$711,444$) and added to the base amount described above ($\$245,930$) to determine the total funding available in that particular performance category ($\$711,444 + \$245,930 = \$957,374$).

Criteria #1: Job Placement

Statutory Language: *The placement rate of students in jobs related to students' programs of study.*

Data Source: WTCS Graduate Follow-Up Report, FLW300

Formula: 50% of funds distributed based on a college's placement rate. The placement rate is calculated by dividing the number of graduates who report they are working in jobs related to their program of study by the total number of respondents who are employed (both in related and non-related jobs). The placement rate for

each college is converted into points (for example, a 72% rate equals 72 points). Each college's share of the Placement Rate funds is based on their proportionate share of the total number of points generated by all the colleges.

The other 50% of funds distributed based on each college's proportionate share of the number of graduates who report they are working in jobs related to their program of study.

Criteria #2: High Demand Fields

Statutory Language: *The number of degrees and certificates awarded in high-demand fields. The board and the department of workforce development shall jointly determine what constitutes high-demand fields and revise the determination as necessary.*

Data Source: Department of Workforce Development Long-Term Occupational Projections for 2010-20; WTCS Client Reporting (Degrees and Certificates Awarded)

Formula: The process for identifying the High-Demand fields involved first reviewing DWD's statewide long-term occupational projections for 2010-20 and selecting the Top 50 occupations (in terms of projected new jobs and replacement jobs) for which WTCS provides training. The occupations identified as the high-demand fields were then matched with the appropriate WTCS programs that produce graduates to work in those fields. The list of high-demand fields will be updated every two years as DWD updates its long-term occupational projections data.

100% of funds distributed based on each college's proportionate share of the number of students awarded degrees and certificates in the high demand fields. (NOTE: Certificates awarded will be reflected in future years once this data is collected and available.)

Criteria #3: Industry-Validated Curriculum

Statutory Language: *The number of programs or courses with industry-validated curriculum.*

Industry-validated curriculum is defined as a curriculum that is developed with business or industry input and that is based on competencies and assessments that reflect the skills and knowledge necessary for a specific job or jobs within a specific type of business or industry.

Data Source: WTCS Program Approval and Client Reporting

Formula: 75% of funds distributed based on each college's proportionate share of active (having enrolled students) programs. Remaining 25% of funds distributed based on each college's proportionate share of programs with Technical Skill Attainment (TSA) assessments (Phase 2 approval).

Criteria #4: ABE Transition

Statutory Language: *The transition of adult students from basic education to skills training.*

Data Source: WTCS Client Reporting: Aid Codes 73 (Beginning ABE), 74 (Intermediate ABE), 75 (ELL), 76 (Adult Secondary Education) and 77 (ASE Developmental)

Formula: 100% of funds distributed based on each college's proportionate share of the number of adult students (unduplicated) who meet the following conditions: (1) were enrolled in at least 12 hours of instruction in adult basic education (including developmental education), adult high school or English language learning (ELL); and (2) successfully completed a postsecondary course (Aid Codes 10, 20, 30, 31,32 and 50) either in the year of ABE/ASE/ELL enrollment or the following year.

An "adult student" is any student 18 years or older, or have completed high school or earned a high school credential. Students receiving remedial instruction (Aid Code 78) are not included in this measure. For the third year of data (2012-13), transitioners through the summer and fall of 2013-14 will only be counted.

Criteria #5: ABE Services and Success

Statutory Language: *The number of adult students served by basic education courses, adult high school or English language learning courses, or courses that combine basic skills and occupational training as a means of expediting basic skills remediation, and the success rate of adult students completing such courses.*

Data Source: WTCS Client Reporting (Aid Codes 73, 74, 75, 76 and 77), National Reporting System (NRS) for the Adult Education and Family Literacy Act (AEFL)

Formula: 50% of funds distributed based on each college's proportionate share of the number of adult students (unduplicated) who were enrolled in at least 12 hours of instruction in adult basic education (including developmental education), adult high school or English language learning.

The other 50% of funds distributed based on the success rate of students who demonstrated a gain of at least one educational functioning level under the pre and post-test administered as part of the federal AEFL grant and recorded in the NRS. A college's success rate (number of students completing a level divided by number of tested students) is converted into points (for example, a 41% success rate equals 41 points). Each college's share of the Success Rate funds is based on their proportionate share of the total number of points generated.

An "adult student" is any student 18 years or older, or have completed high school or earned a high school credential. Students receiving remedial instruction (Aid Code 78) are not included in this measure.

Criteria #6: Dual Enrollment

Statutory Language: *Participation in dual enrollment programs.*

Dual enrollment is defined to mean programs or courses of study designed to provide high school students the opportunity to gain credits in both technical college and high school, including transcribed credit programs or other educational services provided by contract between a school district and a technical college.

Data Source: WTCS Client Reporting: Recognized Credit Codes 1A (Advanced Standing), 1B (Youth Apprenticeship Advanced Standing), 8A (Transcripted Credit), 8B (Youth Apprenticeship Transcripted Credit), 9B (Youth Apprenticeship FTE Generating), 9C (Youth Options), 9H (s. 38.14 Contract)

Formula: 100% of funds distributed based on each college's proportionate share of credits earned in all types of dual enrollment including transcripted credit, advanced standing (reported once the student enrolls at a technical college), youth apprenticeship, youth options and s. 38.14 contracted services. (NOTE: Course options credits (Recognized Credit Code 9K) will be counted in future years once program is in effect.)

Criteria #7: Workforce Training

Statutory Language: *The workforce training provided to businesses and individuals.*

Data Source: WTCS Client Reporting (for Employer Paid Training, Apprenticeship Training, and Professional Development Seminars); WTCS Contract Reporting (for Customized Instruction Contracts)

Formula: 100% of funds distributed based on each college's proportionate share of credits earned under the following workforce training categories: (1) employer paid training; (2) related instruction for apprenticeship training; (3) professional development seminars; and (4) contracts to provide customized instruction to public and private employers. (NOTE: All types of recipients of customized instruction are included.)

Criteria #8: Collaboration

Statutory Language: *Participation in statewide or regional collaboration or efficiency initiatives.*

Membership in the following Statewide Collaborations: WTC District Boards Association (DBA), WTCS Purchasing Consortium, WTCS Marketing Consortium, Districts Mutual Insurance (DMI), Wisconsin Student Government (WSG), Worldwide Instructional Design System (WIDS)

Formula: 50% of funds distributed based on each college's proportionate share of full-time equivalent (FTE) students. The other 50% of funds distributed as an amount equally divided among the colleges. If a college decides to not participate in any of the six collaborations, then it would not be eligible to receive aid under this category.

Criteria #9: Special Populations

Statutory Language: *Training or other services provided to special populations or demographic groups that can be considered unique to the district.*

Data Source: WTCS Client Reporting (for Minority Students, Veterans, Incarcerated, Dislocated Workers and Persons with Disabilities); Wisconsin Student Support Information System or WISSIS (for Pell Grant Recipients)

Formula: 50% of funds distributed based on each college's proportionate share of the number of students (headcount) reported as being in the following special populations: (1) Minority (Non-White); (2) Pell Grant

Recipients; (3) Veterans; (4) Incarcerated; (5) Dislocated Workers; and (6) Persons with Disabilities. Each population group will be calculated separately so that one category does not disproportionately affect the distribution of funds.

The other 50% of funds distributed based on calculating each college's special population numbers as a percentage of the college's total student population. (NOTE: For Pell Grant recipients, this calculation is done as a percentage of the college's total program student population.) The percentages are then rank ordered from lowest concentration (1) to highest concentration (16). Ranking points are totaled for the six special population categories. Each college's share of concentration funds is based on its proportionate share of the total number of ranking points.

APPENDIX II

LFB Explanation of Tuition and Other Fees

Tuition Formula

Tuition for the WTCS is established using a formula consisting of the following three factors:

1. Statutory Percentage. The statutes set the percentage of cost to be raised through tuition. There are currently two different percentages used in establishing tuition: at least 14% for post-secondary (excluding collegiate transfer) and vocational-adult (PS/VA) courses; and at least 31% for collegiate transfer (CT) courses.

2. Operational Costs. These are the costs to the districts of providing PS/VA and CT courses. Operational costs include the provision of instruction, instructional resources, student services, research, physical plant, and administration. The statutes define operational costs, for the purpose of calculating tuition, to mean only those costs that are funded by tuition, state aid, and property tax revenues.

3. Full-Time Equivalent Students (FTEs). In order to provide an accurate estimate of the workload in the Technical College System, an FTE, rather than headcount, methodology is used. However, not all FTE students are included when calculating tuition as the result of statutory or administrative exemptions. Total tuition-paying (nonexempt) FTE students for the forthcoming year in PS/VA courses are estimated by using the ratio of nonexempt FTEs to total FTEs for the previous year. This percentage is applied to the total FTEs projected for the upcoming year to derive the number of FTEs who will be assessed tuition. All FTEs are used for the collegiate transfer tuition calculation.

Tuition for resident students is calculated using the following equation:

$$\frac{[(\text{Operational Costs} \times \text{Target Tuition Recovery Rate \%}) \div \text{Number of FTEs}] \div 30 \text{ credits}}{\text{Per credit Tuition}}$$

It was estimated that, for 2012-13, PS/VA operational costs would be \$906,614,533 with 58,977 FTE students paying tuition. Collegiate transfer costs were projected to be \$82,674,587 with 8,040 FTE students. The Board decided on a target recovery rate of 22.8% of PS/VA operational costs. Thus, using the formula above, PS/VA tuition was calculated to be:

$$(\$906,614,533 \times 0.228) / (58,977 \text{ FTE}) \div 30 =$$

\$116.90 per credit (or \$3,507 annually for a full-time student)

The Board decided to recover 46.2% of the collegiate transfer costs, thus collegiate transfer tuition was calculated to be:

$$(\$82,674,587 \times 0.462) / (8,040 \text{ FTE}) \div 30 =$$

\$158.25 per credit (or \$4,747.50 annually for a full-time student)

Out-of-state students must pay an additional charge unless they are subject to a reciprocity agreement, which is discussed later in this appendix. The total amount equals 150% of resident tuition for the programs in which they are enrolled. In 2012-13, nonresident tuition equaled \$175.35 per credit for PS/VA

(\$5,260.50 annually) and \$237.38 for collegiate transfer (\$7,121.40 annually).

Although tuition is designed to recover a 21 specified amount of operational costs statewide,

the actual percentages can vary due to unanticipated changes in enrollments and costs.