



Joint Finance Testimony on the 2009-11 State Budget

Daniel Clancy, President
Wisconsin Technical College System
March 19, 2009

Good afternoon Senator Miller, Representative Pocan, and members of the Committee. I appreciate the opportunity to be with you today.

I've had the benefit of following your discussions over the past couple of days and I've noted your interest not only in ensuring a reasonable state budget, but in fostering economic recovery and economic development in Wisconsin. Emerging from the current recession will not be easy, but I believe Wisconsin's technical colleges must play a central role in these efforts.

I realize that I'm not alone in this belief because I know that the Governor and each of you have likely received many letters from business, labor community-based organizations, and education leaders in your District. These letters have voiced strong support for Wisconsin's technical colleges and the role we play in economic and community development across the State.

In just one example of the value of our technical colleges, at a meeting last month of the Assembly Committee on Workforce Development, Mary Isbister, President of General MetalWorks Corporation in Mequon, testified that her company is interested in adding another shift and producing components for renewable power production and distribution. However, a lack of skilled workers is preventing them from doing so.

Mary was gratified to report that the technical colleges have delivered skilled workers. At the same time, she understands the challenges we face in working with students who are increasingly academically underprepared for the demands of today's workplace and who sometimes lack the soft skills necessary to secure and maintain employment.

Despite this challenge, right now our colleges are meeting critical needs in three main areas.

Demand in Core Programs

First, Wisconsin's technical colleges deliver graduates to meet the consistent demand in core programs that produce construction, technology, public safety, and health care professionals, among many others.

The federal Bureau of Labor Statistics projects that middle-skill occupations will *continue* to account for nearly half of all job openings in the next 10 years. The Department of Workforce Development projects that through 2016, this trend will hold true in Wisconsin as well, where

Daniel Clancy, President

4622 University Avenue PO Box 7874 Madison, Wisconsin 53707-7874 608.266.1207
TTY: 608.267.2483 Fax: 608.266.1690
www.wtcsystem.edu www.witechcolleges.com

Middle-skill jobs are well represented on the list of most in-demand occupations: jobs like nurses, plumbers, welders, carpenters, and computer support specialists. These are family-supporting jobs, with annual wage gains that routinely outpace inflation.

Demand in Emerging Industries

Second, our technical colleges work with employers, labor, and other partners to design programs that meet increasing demands in emerging industries like biotechnology, manufacturing robotics, nanoscience, and renewable energy. Wisconsin's technical colleges are also critical to supporting employers who are modernizing their production processes and undertaking equipment upgrades.

For our technical colleges, the challenge is in meeting the demand in emerging occupations—which holds a certain amount of risk—while addressing consistent demands in our core programs. Now, add to this the almost overwhelming needs of dislocated workers.

Services for Dislocated Workers

Third, Wisconsin's technical colleges are working closely with our DWD partners to provide a pathway back to family-supporting jobs for displaced workers across the State. Many dislocated workers have not pursued formal education or training in many years and face significant challenges. Even while in high school, they may not have had the courses needed to succeed in postsecondary occupational programs.

Our colleges have taken a number of steps to respond to the issues faced by dislocated workers. For example, technical colleges have:

- expanded course offerings, both in terms of the number of sections offered, and the times at which they are offered;
- relaxed course enrollment limits and deadlines;
- waived application and other fees;
- developed dedicated Web pages with information specific to dislocated workers; and
- established computer literacy workshops.

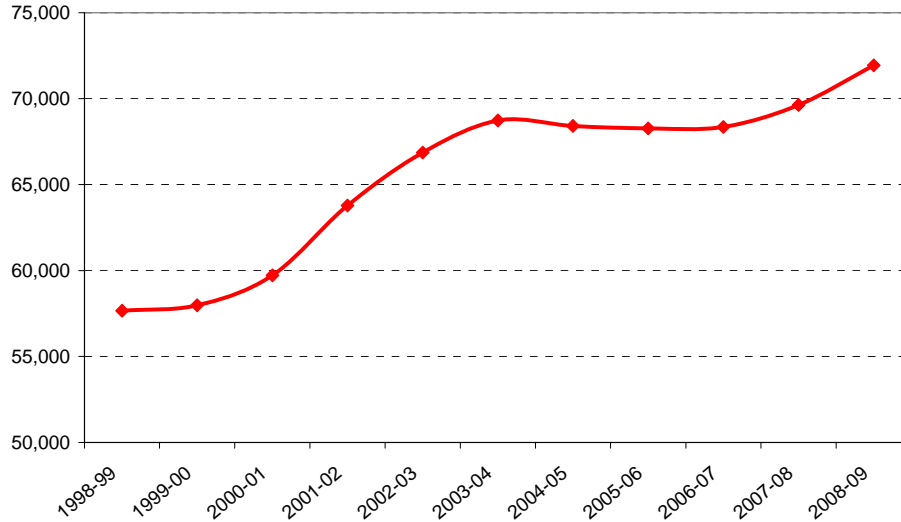
In many instances, the colleges have had to hire temporary staff to expand offerings and services, as well as having to lease or purchase additional space and equipment to meet training needs.

The demands in core and emerging programs, significantly affected by large numbers of newly dislocated workers, has increased WTCS enrollments to unprecedented levels.

Overall Demand for WTCS Services

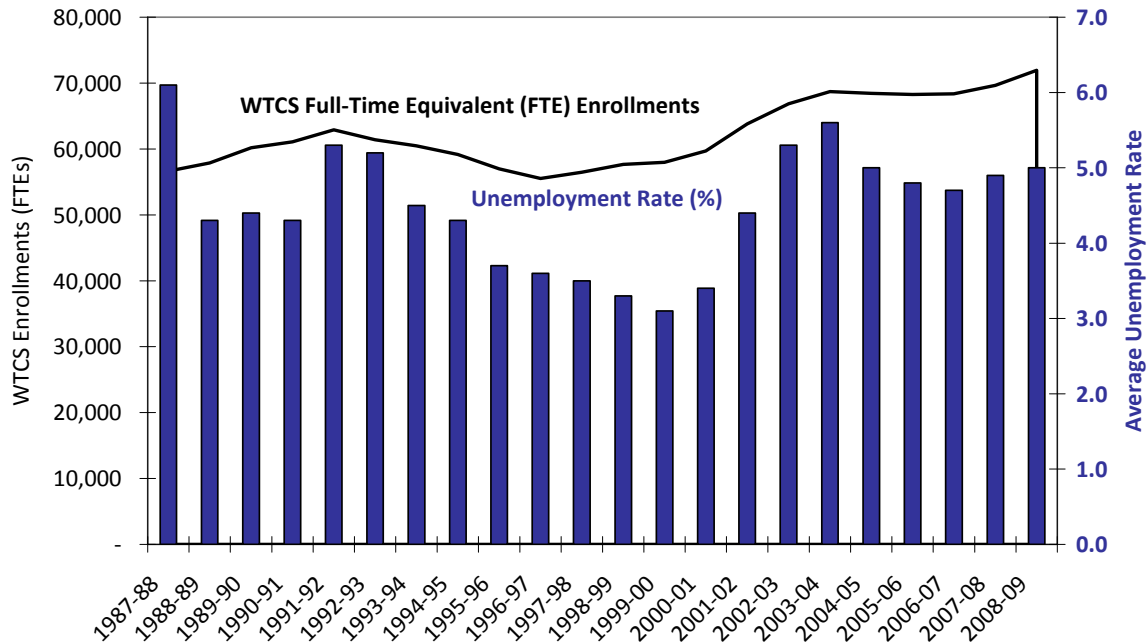
As you can see in Table 1 in my testimony, full-time equivalent (FTE) college enrollments are at an all-time high. Blackhawk Technical College, which serves the Janesville area that has been deeply affected by the GM plant closing—has experienced enrollment growth well over 20 percent.

Table 1
WTCS Full-Time Equivalent (FTE) Enrollments



While our enrollments have always risen with the unemployment rate, a different trend has been taking shape over the past 10 years or so. As Table 2 shows, WTCS full-time equivalent enrollments have continued to increase during the last two economic growth periods.

Table 2
WTCS Enrollments and Unemployment



The 25% increase in our enrollments over the past 10 years, about 20% since 2001 alone, can be explained, in part, by the realization that the days of building a family-supporting career on a high school diploma or less are at an end. Postsecondary education and lifelong learning are no longer a luxury, they are the cornerstones on which this state will build a robust economy and ensure its citizens to family-supporting jobs.

Nevertheless, our enrollments of course are still affected by changes in unemployment, and as the unemployment rate in Wisconsin has increased rapidly over the past several months—including an increase from 5.8% in December to 8.8% in February—we expect even greater enrollment growth over the next biennium.

Underprepared Students

As our enrollments have increased, so has the number of students who are underprepared for postsecondary education. These students often require costly services to meet academic demands has also increased. Increasingly, students are arriving on campus who have either not been in school for many, many years and require refresher courses in math and other core subjects.

In January 2008, the Center on Wisconsin Strategy estimated that 1.4 million adults in Wisconsin do not have a postsecondary credential or limited English proficiency. Many of the individuals who have recently been dislocated fall within this population, creating a daunting task for our technical colleges.

Minimal academic attainment inhibits the potential of many dislocated workers to obtain jobs with family-supporting wages, which negatively affects the State's capacity to create jobs and grow the economy. A 37% earnings gap exists between adult workers 25-64 years old who have a high school diploma versus those who do not.

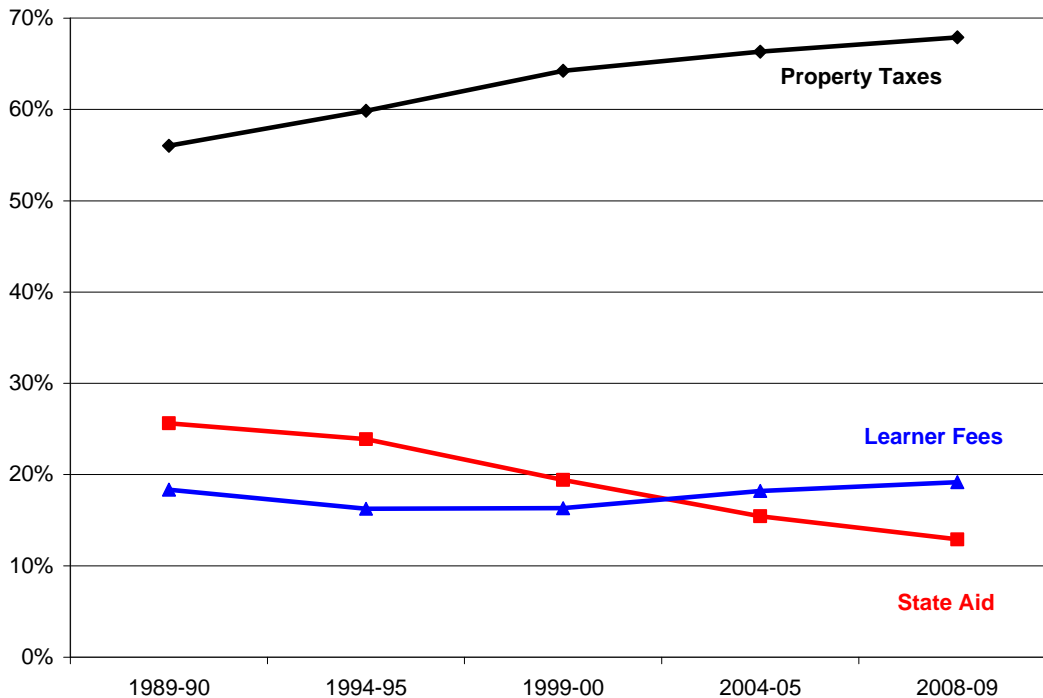
Funding Pressures

As you may know, there are three major funding sources for Wisconsin's technical colleges: state aid, local property tax revenues, and tuition. What you may not realize is that the State investment in the technical college system has decreased considerably over time.

As a percentage of the three sources, the proportion of WTCS revenues provided by the State declined from 25.6% in 1989-90 to a projected 12.9% in 2008-09. At the same time, new program responsibilities such as veterans' tuition remissions and demands of expanded occupational programs have magnified funding pressures.

As shown in Table 3 in my testimony, the three primary funding sources supporting technical colleges are interdependent: cutting one affects the others. Sources other than state support are strained and have already been used to compensate for falling state support. It has been increasingly difficult and is nearing impossible to absorb state cuts and continue meeting growing enrollment demand through the other main funding sources, tuition and property taxes.

Table 3
Relative Change in Major Sources of WTCS Revenues



Property taxes have increased as a funding share as state support has fallen. However, it is simply no longer feasible to continue to increase property tax levies when unemployment and home foreclosures are rising and residential property values are flat or falling. Moreover, it is difficult to raise tuition significantly when families are struggling financially, unemployment is rising, and student aid funding—which I’ll discuss in a moment—has not come close to meeting need or keeping up with tuition increases.

While some may believe that increased tuition revenue from enrollment growth will cover increased costs, this is simply not the case. Although students have been paying an ever-increasing share of costs, tuition revenues still cover just under one-fifth of the costs of education.

Others may believe that federal stimulus funding will cover our costs. This, too, is inaccurate. The stimulus funding set-aside for postsecondary operations and infrastructure was largely eliminated in the final bill. The primary stimulus support for technical colleges will be indirect; as Secretary Gassman mentioned yesterday, technical colleges will be a key provider of dislocated worker training supported by local workforce development boards with new stimulus dollars. We are still working on how these funds will be used and the extent to which they can support the full cost of training services. The technical colleges also expect to participate in collaborative applications for competitive grant funds in the stimulus bill but it is too early to tell whether those applications will be successful or in which areas of need.

Limits to property tax, tuition and federal revenue at a time of historic enrollment levels, a large proportion of which are underprepared students requiring costly academic and support services, highlights the importance of a renewed state investment in the WTCS.

Resource Needs

The Governor's 2009-11 budget proposal acknowledges the contribution of the WTCS in Wisconsin's economic vitality; for that, I and the State Board are deeply appreciative. In his budget proposal, the Governor

- ensured the continued availability of WTCS firefighter training and credentialing programs;
- promoted the use of sustainable building practices that will reduce colleges' long-term energy consumption and costs; and
- provided greater operational flexibility for colleges to deliver workforce training and to attract students in under-capacity programs whose graduates are in high demand by employers.

Although these provisions do not include new GPR funding, they are important operational improvements that the WTCS had sought in our original budget request. In addition, despite the State's difficult economic condition, the Governor protected higher education from the most severe across-the-board reductions experienced in other state programs. Given the circumstances, however, more must be done.

Numerous studies have shown investment in the Wisconsin Technical College System delivers positive returns to individuals and the entire state. A recent study by the Wisconsin Taxpayers Alliance found that every public dollar invested in the WTCS generates nearly \$6 dollars in new economic output for the state.

The WTCS 2009-11 biennial budget request directly addressed several key state priorities: improving access to higher education, providing clearer career pathways for learners at all stages, and ensuring the fundamental cornerstone for new business development and job creation; a highly skilled and competitive labor force. As many of you are aware, the focus of the WTCS request is an additional \$26.7 million GPR investment over the biennium to develop Wisconsin's *Next Generation Workforce*. Although funding would be distributed through the statutory general aid formula; these dollars would not be used to support ongoing college programs. Instead, specific initiatives are proposed for each technical college district to increase the number of graduates in essential programs such as advanced manufacturing, health care, and energy; and to expand supports that lay the groundwork for student success in transitioning to—and completing—occupational skills training in high-demand areas. Throughout the state, technical colleges would use these funds to collectively arm over 9,000 new students with the skills and knowledge to succeed despite the current economic crisis.

There is no question that Wisconsin is facing a difficult fiscal condition without a certain end date, and this Committee and the Legislature as a whole will have to make some very tough decisions in the next few months. As the Legislature considers its strategic budget priorities for the next two years, I urge you to put the Technical College System's *Next Generation Workforce* proposal high on the list.

If I haven't convinced you of the critical role the WTCS must play if Wisconsin is to improve its economic condition, or if doubt the System's positive return on investment, consider the 2,000 letters of support this proposal has received from business, labor community-based organizations, and education leaders. These included major state employers such as Johnson Controls and Phillips Plastics to small businesses around the state. I would be happy to provide the Committee with copies of all of them, but let me highlight just a few now.

- Zilber Ltd, a construction firm in southeastern Wisconsin has been building homes and creating jobs since 1949. Zilber supports the *Next Generation Workforce* proposal because it addresses the core issues that plague Milwaukee's economy; training and retraining the un- and underemployed for solid jobs that sustain the family unit.
- Modine Manufacturing Company, a leader in the design, engineering and manufacturing of heat transfer products has operated in Racine since 1916. Modine supports the *Next Generation Workforce* proposal because it is an investment in Wisconsin's future and because technical colleges are critical to their continued success.
- Raven Software in Middleton has grown from a company of three to a company of 200 in the last 15 years. Raven Software supports the *Next Generation Workforce* proposal as a state budget priority because it believes it is an investment in the company's success.

Student Financial Aid

The workforce development benefits of the array of WTCS job training and education opportunities are muted if those with the greatest potential for gain cannot access those programs. This brings me to the last issue I'd like to raise with the Committee today; the state's funding priority for student financial aid.

The Wisconsin Higher Education Grant (WHEG) is the primary source of state-funded student financial aid. There are separate WHEG appropriations for the WTCS and UWS. The identical program for private college and university students is call the Tuition grant (TG) program. As shown in Table 4 in my testimony, WTCS students receive the smallest amount of WHEG funding compared to students in the UW System or Wisconsin's private colleges and universities.

Table 4
**Wisconsin Higher Education Grants and Tuition Grants
 Appropriation History**

	UWS	Change	WTCS	Change	Private	Change
1996-97	\$14,283,200	11.8%	\$10,863,200	0.4%	16,050,200	
1997-98	16,502,200	15.5%	11,297,700	4.0%	17,173,300	7.0%
1998-99	17,244,800	4.5%	11,749,600	4.0%	18,375,900	7.0%
1999-00	18,900,300	9.6%	12,454,600	6.0%	19,662,200	7.0%
2000-01	18,900,300	0.0%	13,201,900	6.0%	21,038,600	7.0%
2001-02	19,750,800	4.5%	13,631,000	3.3%	21,564,600	2.5%
2002-03	20,639,600	4.5%	14,874,000	9.1%	22,103,700	2.5%
2003-04*	27,199,600	31.8%	14,874,000	0.0%	22,103,700	0.0%
2004-05*	34,959,600	28.5%	14,874,000	0.0%	22,103,700	0.0%
2005-06	37,057,200	6.0%	15,766,400	6.0%	23,429,900	6.0%
2006-07	39,280,600	6.0%	16,712,400	6.0%	24,835,700	6.0%
2007-08	50,000,000	27.3%	17,130,200	2.5%	25,456,600	2.5%
2008-09	55,000,000	10.0%	17,548,000	2.4%	26,077,500	2.4%
2009-10*	63,000,000	14.6%	17,700,000	1.0%	26,300,000	1.0%
2011-12	71,000,000	13.4%	18,100,000	2.0%	26,900,000	2.0%

*Total funding for UWS-WHEG included GPR and PR funds
Proposed in AB75

As I mentioned earlier, student tuition and fees are now the second largest source of WTCS revenue. Over the last five years, annual tuition increases have averaged 6.8%. Annual increases in state funding for the WTCS WHEG program during this time have not kept up with the growth in tuition and available resources have been inadequate to meet the demand. WTCS WHEG funding for 2008-09 was fully committed by late August, the earliest date ever. What that means is that over 6,000 technical college students who qualified for aid did not receive it. We can't know how many more students are taking fewer credits or decided not to enroll at all because aid is not available. Unfortunately, even with the additional funds provided in the Governor's 2009-11 budget proposal, we are projecting that WHEG funds for next school year will be fully committed even earlier in the summer of 2009.

Of those students who seek state student financial aid, WTCS students have the greatest financial need. Based on federal need calculations of students' ability to pay, over 36% of WTCS aid applicants are not expected to contribute to funding their education. In contrast, only about 15% of UW System and private college aid applicants are not expected to contribute to funding their college education. In addition, after all federal and state student aid is awarded; technical college students have the greatest *unmet* financial need among the three systems as shown on Table 5. The level of unmet need increases the pressure on technical college students to take fewer credits at one time and to work and borrow more.

Table 5
**Comparison of Unmet Student Financial Need
2007-08**

	UWS	WTCS	Private
Average Total Cost	\$15,090	\$11,882	\$27,438
Average Family Contribution	\$4,798	\$3,083	\$8,429
% of Total Cost	32%	26%	31%
Average <i>Need-Based</i> Assistance	\$6,576	\$4,313	\$9,875
% of Total Cost	44%	36%	36%
Average Unmet Need from Need-Based Aid	\$3,716	\$4,486	\$9,134
% of Total Cost	25%	38%	33%
Average <i>Non Need-Based</i> Assistance	\$2,253	\$1,382	\$7,746
% of Total Cost	15%	12%	28%
Average Total Unmet Need	\$1,463	\$3,104	\$1,388
% of Total Cost	10%	26%	5%

*Higher Educational Aids Board, Report #09-110

To help ensure access to technical college programs, the System requested an additional \$14.3 million GPR over the biennium for the WTCS WHEG. These funds, if provided, would have reduced the unmet need by approximately two percentage points by the end of the biennium. However, AB 75 does not include this request and the recent new federal investments in the Pell grant program will not remedy the difficult financial circumstances of many current and prospective technical college students.

On their behalf, I urge the Committee to reconsider the WTCS WHEG provisions in AB 75. If Wisconsin hopes to successfully compete economically and improve the quality of life for its citizens, we cannot afford to leave anyone behind in our efforts to develop the most skilled labor force in the nation.

Thank you for the opportunity to comment today and for support the Legislature has shown the entire Wisconsin Technical College System. I would be happy to answer any questions.