



Joint Finance Testimony on the 2011-13 State Budget

Daniel Clancy, President

Wisconsin Technical College System

March 31, 2011

Good afternoon Senator Darling, Representative Vos, 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.

Mark Tyler is representative of the hundreds of Wisconsin employers who volunteer their time and resources as members of technical college governing boards and program advisory committees. From Fortune 500 firms to small family-owned businesses, Wisconsin employers are key advisors for every technical college program offered, helping to ensure that new programs incorporate competencies sought in workers, and that existing programs include the latest skills and technologies.

It's hardly surprising then, that when the technical colleges routinely solicit customer feedback, employers and graduates consistently report extremely high rates of satisfaction. As you are all aware, technical college graduates stay in Wisconsin, find employment in their chosen field, and arrive at work with the precise skills employers seek.

In addition to supporting individuals' career aspirations and business' growth goals, Wisconsin's technical colleges have a tremendous direct impact on the state's economy. A recent study estimated that the colleges add \$6.4 billion to Wisconsin's economy every year.

For one hundred years, the WTCS has been a national model – the first statewide public education system dedicated to workforce development and supporting new job creation. Much of our System's success and longevity can be credited to the unique state and local partnership that governs and finances Wisconsin's technical colleges. I am deeply concerned that at a time when individuals' need for job opportunities and business' need for a technically skilled workforce has never been greater, there are provisions in the biennial budget proposal that pose a serious threat to the state-local partnership which has met those needs for a century.

To some extent, the Governor's 2011-13 budget proposal acknowledges the contributions of the technical colleges and their graduates in Wisconsin's economic vitality. In his biennial budget proposals, the Governor

- ensured the availability of customized incumbent worker training through the Workforce Advancement Training grant program;



Daniel Clancy, President
4622 University Avenue · PO Box 7874 · Madison, WI 53707-7874 · 608.266.1207
Wis. Relay System: 711 or 800.947.6644 Fax: 608.266.1690
e-mail: info@wtcsystem.edu · www.wtcsystem.edu · www.witechcolleges.org

Joint Finance Testimony

Daniel Clancy

March 31, 2011

Page 2 of 4

- preserved current access to student financial aid for thousands of technical college students; and
- maintained opportunities for students to transition to high-demand occupations.

For these continued state investments in the WTCS and our students, we are truly appreciative. We also understand that the State's current fiscal condition precludes consideration of the System's original budget request for new GPR resources.

There is no question that Wisconsin is facing a difficult fiscal condition and this Committee and the Legislature as a whole will have to make some very tough decisions in the next few months. I know that while there are a number of valuable public programs with very legitimate reasons for more resources, the State cannot invest in every agency or program. JFC must prioritize where to invest limited state funds to generate the greatest return for taxpayers.

The WTCS agrees with the administration and the Legislature that Wisconsin taxpayers want all public institutions to operate more efficiently, and in some cases, taxpayers are willing to forgo certain publically provided services altogether. As public organizations that are asked to do more with less, technical colleges will also make tough decisions over the next biennium. Several colleges have already negotiated new staff and faculty contracts with unprecedented salary and benefit concessions. Over the next year, colleges expect to save approximately \$19 million in reduced pension costs. These substantial savings will not be enough, however, to immediately offset the effects of the proposed state aid cuts and levy freeze. Class offerings will be reduced, some programs will be suspended or discontinued, operating hours will be restricted, waitlists will grow and staff sizes will be reduced through retirements and layoffs. The colleges will survive, but our services to taxpayers and employers will be diminished. This is in direct contradiction to our customers' expectations regarding technical education and training, which is that Wisconsin needs more, much more, not less.

The majority of new jobs created in Wisconsin in the next decade will require the skills earned through technical college degree and certificate programs. The ability of state employers to sustain new growth is dependent on their access to a skilled workforce. Although Wisconsin's percentage of technical college trained workers is double the national average, employers continue to ask our help in closing the skills gap between what Wisconsin's current workforce can provide and what their companies need to compete. There are literally thousands of displaced Wisconsin workers in need of retraining if they are to succeed in the jobs being created in emerging and rapidly changing industries.

Not surprisingly, technical college enrollments have increased 40% in the past 10 years and are expected to remain high. This enrollment growth is not just the unskilled or unemployed, but incumbent workers, high school students and, increasingly, college graduates who are coming to technical college for advanced job-ready skills. These individuals invest in technical college education because they know the skills they acquire will help get them a job. As Mark mentioned, many Wisconsin employers focus their recruitment efforts exclusively on technical college students because they know the person they hire will make an immediate contribution to their organization. As a result, despite the deep recession and high unemployment rates statewide, WTCS graduate placements have remained strong.

Technical college services are not limited to our classrooms. Each college has the capacity to provide on-site, employer-specific solutions that boost productivity. Whether it's designing leaner production processes, adopting new technology, or expanding workers' skills, technical colleges provide expert services to Wisconsin employers. Last year alone, employers called upon the technical colleges more than 5,000 times for this type of customized service, improving the skills of more than 100,000 workers across the State.

Let me give you just one example of the direct effect of technical training on Wisconsin's economic recovery. Gateway Technical College provided training for more than 70 Teleflex Medical employees in blueprint reading, dimensioning, and measurement instrument use to address high volumes of scrap and rework of custom parts resulting in declining productivity. Supervisors received training to improve internal communications and problem solving, while others received training to implement and teach lean manufacturing concepts. Scrap volume has decreased by 5%, even while orders have increased, and rework has been reduced by 7%. Both productivity and on-time delivery have improved.

The proposed cut to technical college state aid, combined with new restrictions on college levies included in the Governor's budget will hurt taxpayers and employers by reducing their access to desired services. [LFB Summary, p.533, Items 4 and 5]

Wisconsin's decision to share funding responsibility for technical education recognized the unique benefits incurred at the state, local, and individual level. Ideally, and as recommended by previous Legislative study committees, each beneficiary would support one-third of the cost. Unfortunately, the State has been gradually falling further from that goal and with the proposed cuts will reach a new low of less than 10% of technical college revenues.

Although it may be unintentional, by reducing state aid to 1989 appropriation levels as proposed, Wisconsin is sending a message to employers that we cannot afford to invest in their workforce development needs. Wisconsin is sending a message to individuals that we can no longer ensure their access to technical education and economic opportunity. And imposing a state aid cut which is significantly more than the percentage reduction imposed on other state-aided programs suggests that a high-skilled, technically-advanced workforce is no longer a State priority. I don't believe that this Legislature or this administration supports those messages.

Wisconsin's decision to rely on a diverse funding structure for technical education recognized the unique responsibilities of the State, local communities, and students. Property tax levy authority has allowed technical college districts to respond to local economic and workforce development needs. The existing statutory 1.5 mill limit has ensured that local levies reflect both need for services and taxpayers' and local economies' ability to pay. Despite huge growth in demand and services provided, the WTCS operating levies increased just 1.4% this year. In contrast, a strict levy freeze as proposed means that when local economies begin to recover, as we all hope and expect, corresponding growth in technical education and training resources won't be available. It would be more reasonable to provide technical colleges with levy growth flexibility as has been provided to municipalities and counties in the Governor's budget proposal.

If the Legislature truly believes that additional levy restrictions and cuts to technical education state aid are necessary, please consider modifying the current budget proposal to minimize the impact on Wisconsin's job creation and job attainment efforts. At minimum, impose a general aid cut that is more consistent with cuts proposed for other state-aided programs and provide some flexibility in technical colleges' levy authority.

The technical colleges' most important objective is serving taxpayers and promoting job creation. We are giving individuals skills and credentials that help them get great jobs and we are providing businesses the skilled workers and the technical assistance to improve their bottom line. We also face enormous demand to help more. Local communities and employers are counting on their technical colleges, and that means they are counting on the Legislature to keep the pipeline to recovery open at technical colleges. Greater state aid investment and local levy flexibility will provide taxpayers and employers the tools they need to succeed – accessible, affordable, high quality, work-ready technical skills.

Before I close, I would like to make note of a technical correction in your budget materials. The Budget Management and Compensation Reserves section of the LFB summary [pp.75-76, Item #4], indicates a PR lapse of over \$1.1 million annually for the Wisconsin Technical College System. This lapse is for compensation reductions, eliminating long-term vacancies, and across-the-board reductions. That amount was an error in the budget bill that DOA will be correcting with an errata that you may already have received. The correct amount of the annual PR lapse is \$57,100.

Thank you for the opportunity to comment today. I would be happy to answer any questions.