

# Wisconsin Technical College System

(LFB Budget Summary Document: Page 536)

## LFB Summary Items for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
2	Elimination of Long-Term Vacancies (Paper #720)
6 & 7	Performance Based Funding (Paper #721)
8	Tuition Freeze in High Demand Fields (Paper #722)
10	Educational Approval Board (Paper #723)





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April 17, 2015

Joint Committee on Finance

Paper #720

### Elimination of Long-Term Vacancies (WTCS)

[LFB 2015-17 Budget Summary: Page 536, #2]

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#### CURRENT LAW

The Wisconsin Technical College System's (WTCS) authorized base level FTE position count totals 64.50, including 23.25 GPR positions, 12.50 PR positions, and 28.75 FED positions. Adjusted base level funding for WTCS totals \$557,264,700 annually, including \$519,336,500 GPR, \$32,661,400 FED, and \$5,266,800 PR.

#### GOVERNOR

Delete 3.0 positions annually to reflect the elimination of long-term vacant positions under the bill. The reductions would include 2.0 FED positions and 1.0 PR position annually.

#### DISCUSSION POINTS

1. Under the bill, the Governor recommends deleting 2.0 FED positions and 1.0 PR position that have been vacant for 12 months or more. The funding associated with these positions would not be deleted.

2. The 1.0 PR position that would be deleted is a project position approved by the Joint Committee on Finance under a 16.515 request in January, 2008. The position is included in an appropriation for fire schools, which receives its PR funding from fire dues payments, a 2% assessment on fire insurance premiums. The project position replaced limited-term employees (LTEs), and was responsible for the administration of on-going components of the fire service program until project position authority for the position ended on January 20, 2012. Because no additional spending authority was provided with the position when it was approved by the

Committee in 2008, no funding adjustment appears to be needed with the vacant position's deletion.

3. The proposal would also delete 2.0 FED positions in the appropriation for federal aid for state operations. The positions are classified as an office associate, with salary and fringe benefits totaling approximately \$37,700 annually, and an executive staff assistant, with salary and fringe benefits totaling approximately \$49,300 annually. The Committee could choose to delete funding associated with the 2.0 FED positions, totaling \$87,000 FED annually, in addition to positions. WTCS staff indicate that a reduction in the appropriation for federal aids would not result in a decrease in federal funding received by WTCS.

## ALTERNATIVES

1. Approve the Governor's recommendation to eliminate 3.0 positions that have been vacant for one year or more.

2. Modify the Governor's recommendation to reduce funding by \$87,000 FED annually to reflect the salary and fringe benefit amounts associated with 2.0 vacant FED positions that would be deleted under the bill.

<b>ALT 2</b>	<b>Change to Bill</b>
FED	- \$174,000

3. Delete provision.

<b>ALT 3</b>	<b>Change to Bill</b>
	Positions
FED	2.00
PR	<u>1.00</u>
Total	3.00

Prepared by: Christa Pugh



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April 17, 2015

Joint Committee on Finance

Paper #721

### Performance Based Funding (WTCS)

[LFB 2015-17 Budget Summary: Page 537, #6 and Page 538, #7]

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#### CURRENT LAW

State aid is provided to Wisconsin Technical College System (WTCS) districts in the form of unrestricted general aid distributed through two statutorily defined formulas. The majority of general aid (90% in 2014-15) is distributed through a partially equalizing formula that takes into account each of the 16 districts' costs, full time equivalent (FTE) students, and equalized property valuation. The remainder (10% in 2014-15) is distributed based on each district's performance on seven of nine performance criteria defined in statute. The percentage of state aid distributed based on performance will increase to 20% in 2016-17 and 30% in 2016-17. This percentage will be set at 0% in 2017-18 and thereafter as a result of a gubernatorial veto following the Legislature's passage of 2013 Act 20.

#### GOVERNOR

Require the System Board to increase the percentage of general state aid allocated to technical colleges based on each district's performance. In fiscal year 2017-18, require that 40% (\$35.4 million) of the total amount appropriated as general aid to technical college districts would be distributed according to the performance based formula. Require that the remaining 60% (\$53.1 million) be distributed according to the property tax equalization funding formula, which is based on property values and aidable costs. Provide that in 2018-19, an additional 10% of general aid would be distributed using the performance based formula. Specify that in 2019-20, 100% of general aid would be allocated using the performance based formula.

Additionally, establish a tenth criterion that would be added to the nine current law criteria on which performance based funding is allocated. The criterion would allocate funding based on the development and implementation of a policy to award course credit for relevant educational

experience or training not obtained through an institution of higher education, including skills training received during military service.

## DISCUSSION POINTS

1. The three major revenue sources for general operations of the technical college system in 2013-14 were property taxes (\$796.7 million), tuition and fees (\$281.3 million), and state aid (\$102.9 million). In 2014-15, state aid will increase by \$406 million attributable to property tax relief aid included in 2013 Act 145, and property taxes will be reduced by the same amount from what they otherwise would have been.

2. The majority of state general aid (90% in 2014-15, or \$79.7 million) is distributed through a cost-sharing formula designed to partially equalize the fiscal capacities of the 16 WTCS districts. Districts with less property valuation behind each student receive a higher percentage of their aidable costs through the general aid formula because they are less able to generate as much property tax revenue at a given mill rate than districts with higher property valuations. Equalized value per FTE varies by a factor of more than five (from \$21.5 million of value per FTE at Nicolet to \$4.1 million of value per FTE at Northcentral), so that the fiscal capacity of districts differs significantly. In 2014-15, Nicolet received general aid equal to approximately 3.2% of its net aidable cost, while Northcentral received aid equal to approximately 13.8% of its cost. The partially equalizing aid formula is intended to address the differing tax bases among the districts.

3. The remaining state general aid (10% in 2014-15, or \$8.9 million) is distributed based on each district's performance in the previous three fiscal years in seven of the following nine criteria: (a) the placement rate of students in jobs related to students' programs of study; (b) the number of degrees and certificates awarded in high demand fields, as determined by the Board and the Department of Workforce Development; (c) the number of programs or courses with industry-validated curriculum; (d) the transition of adult students from basic education to skills training; (e) the number of adult students served by basic education courses, adult high school or English language courses, or courses that combine basic skills and occupation training as a means of expediting basic skills remediation, and the success rate of adult students completing these courses; (f) participation in dual enrollment programs; (g) the workforce training provided to businesses and individuals; (h) participation in statewide or regional collaboration or efficiency initiatives; and (i) training or other services provided to special populations or demographic groups that can be considered unique to the district. Annually, each college designates which of the seven outcomes will be used for its performance funding calculations, using preliminary calculations.

4. The first performance-based aid was distributed in 2014-15 based on data from the three most recent fiscal years for which data are available (2010-11, 2011-12, and 2012-13). The total performance aid awarded varied by district from \$248,800 awarded to Nicolet, to \$1,115,400 awarded to Milwaukee. The following table shows the amount of performance-based funding, partially equalizing aid, and total state aid distributed to each district in 2014-15, as well as each district's performance-based and partially equalizing aid allocation as a percent of the total distribution of performance-based aid and partially equalizing aid.

**WTCS State Aid, 2014-15**  
**(\$ in Millions)**

	<u>Partially Equalizing Aid</u>		<u>Performance-Based Aid</u>		<u>Total Amount</u>	<u>% of Total</u>
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>		
Blackhawk	\$2.58	3.2%	\$0.38	4.3%	\$2.96	3.3%
Chippewa Valley	4.97	6.2	0.42	4.8	5.40	6.1
Fox Valley	8.19	10.3	0.74	8.3	8.92	10.1
Gateway	5.08	6.4	0.69	7.8	5.77	6.5
Lakeshore	1.88	2.4	0.39	4.5	2.28	2.6
Madison Area	11.07	13.9	0.81	9.1	11.88	13.4
Mid-State	2.11	2.6	0.39	4.5	2.50	2.8
Milwaukee	16.21	20.3	1.12	12.6	17.33	19.6
Moraine Park	2.84	3.6	0.62	7.0	3.46	3.9
Nicolet Area	0.65	0.8	0.25	2.8	0.90	1.0
Northcentral	5.25	6.6	0.53	6.0	5.78	6.5
Northeast WI	6.99	8.8	0.66	7.4	7.64	8.6
Southwest WI	2.19	2.7	0.36	4.1	2.55	2.9
Waukesha County	3.01	3.8	0.61	6.9	3.62	4.1
Western	5.06	6.4	0.46	5.2	5.52	6.2
WI Indianhead	<u>1.60</u>	2.0	<u>0.42</u>	4.7	<u>2.02</u>	2.3
Total	\$79.68		\$8.85		\$88.53	

5. The percentages each district received of the total amounts of partially equalizing aid and performance-based aid distributed in 2014-15 show that some districts fare better under the partially equalizing formula, while others fare better with aid based on performance. In general, as the percentage of aid distributed based on performance increases, districts with lower property valuation or a greater number of students relative to other districts are likely to see a decrease in total state aid. Districts that receive a lesser amount of partially equalizing aid based on their higher property valuation or that have fewer students relative to other districts are more likely to see an increase in funding. However, the 2014-15 performance-based aid distribution is based on data from 2010-11, 2011-12, and 2012-13, prior to the introduction of the performance aid formula. The distribution could change significantly in future years based on changes in districts' performance resulting from increased emphasis on certain outcomes or other unknown factors.

6. Property tax increases related to technical colleges are restricted by a revenue limit that prohibits a district from increasing its revenue in any year by a percentage greater than the district's valuation factor, or any percentage increase in the district's equalized value resulting from new construction in the district. For purposes of this revenue limit, revenue is defined as the sum of the tax levy and state property tax relief aid. State general aid is not counted towards the revenue limit. Therefore, districts would not be able to increase their property tax levy to adjust for any decreases in state aid associated with the elimination of the equalization aid formula.

7. Performance based funding systems are intended to promote accountability and

transparency in publicly funded institutions of higher education. Some anticipate that distributing funding based entirely on performance would encourage districts to place a greater emphasis on their outcomes related to those criteria on which their funding will be based, and will lead to improved outcomes relative to those criteria. On the other hand, some express concern that distributing funding based on certain outcomes will result in a focus on those outcomes to the exclusion of other desirable goals or mandated responsibilities. Additionally, some argue that allocating a lower percentage of state funds based on performance would be sufficient to have the desired effect of encouraging colleges to focus on outcomes in specific areas. For example, it could be argued that allocating 30% of state aid based on outcomes would constitute an amount significant enough to encourage colleges to emphasize outcomes while still providing greater state support to colleges with less property valuation behind each FTE student.

8. Under 2013 Act 20, the Board is required to submit an annual report to the Joint Committee on Finance describing how the performance funding is allocated. The report must include the following information: (a) the amount allocated to each district; (b) the performance of each district with respect to each criterion; (c) the methodologies used to make a district's allocation based on that district's performance; (d) the performance of WTCS as a whole with respect to each criterion; (e) any other information used to administer the plan. The first report will be distributed to the Joint Committee on Finance in the spring of 2015. It may be desirable to assess the effects of the performance based formula on the state aid amount and performance of each district using on multiple years of data from the annual reports before committing as a matter of law to 100% performance funding. Under this approach, the percentage would be set at 30% in 2017-18 and annually thereafter until more data is available about funding and performance trends.

9. The additional performance criterion recommended by the Governor would allocate funding based on the development and implementation of a policy to award course credit for relevant educational experience or training not obtained through an institution of higher education, including skills training received during military service. In their agency budget request, WTCS indicated that the success of veteran students is a priority for the System and indicated that the American Council on Education has identified credit for prior learning for activities during military training as a strategy to support veterans transitioning to higher education. A current state Board policy entitled "Credit for Prior Learning" directs colleges to award credit for prior skills and knowledge including work experience and work-related training, in addition to training obtained through an institution of higher education that would not be eligible for performance-based funding under the bill. Data are not currently available on credits awarded by WTCS colleges for prior learning.

## **ALTERNATIVES**

### **A. Performance Based Aid Distribution**

1. Approve the Governor's recommendations to increase the percentage of state general aid distributed to technical colleges based on performance outcomes to 40% in 2017-18, 50% in 2018-19, and 100% in 2019-20 and thereafter.

2. Modify the Governor's recommendations by specifying that the percentage of general



aids distributed under the performance based funding formula would remain at 30% in 2017-18 and annually thereafter.

3. Delete provision. The percentage of general aids distributed under the performance based funding formula would be set at 0% in 2017-18 and thereafter.

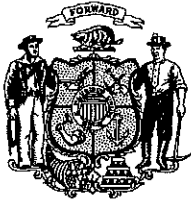
**B. Additional Performance Based Funding Criterion**

1. Approve the Governor's recommendations to add an additional criterion to the nine current law performance criteria that would allocate funding based on the development and implementation of a policy to award course credit for relevant educational experience or training not obtained through an institution of higher education.

2. Delete provision.

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April 17, 2015

Joint Committee on Finance

Paper #722

### Tuition Freeze in High Demand Fields (WTCS)

[LFB 2015-17 Budget Summary: Page 538, #8]

#### CURRENT LAW

Current law requires that the Wisconsin Technical College System (WTCS) Board set uniform tuition rates for post-secondary and vocational-adult courses and for collegiate transfer courses. Tuition is based on districts' projected costs and enrollments and is required to generate revenue equal to a percentage of estimated operational costs determined by state law.

#### GOVERNOR

Restrict program fee (tuition) increases for courses in high-demand fields, as identified by the Department of Workforce Development (DWD). The Board could not establish program fees for a course in a high-demand field that would exceed the program fees for the same course in the same district in the most recent school year in which the course was offered. Require DWD to issue an annual report to the Board determining all high-demand fields during that year no later than 30 days after the effective date of the act, and by December 31 of each year thereafter.

#### DISCUSSION POINTS

1. The Legislature established a statutory tuition policy for WTCS in 1975 based on a percentage of cost methodology. A uniform tuition charge for state residents enrolled in post-secondary (associate degree and technical diploma) and vocational-adult programs is required by law to be set at the level necessary to generate revenue equal to at least 14% of the estimated, statewide operational cost of those programs. The uniform tuition charge for liberal arts collegiate transfer courses is required to equal at least 31% of the estimated statewide operational cost of these programs. Non-resident tuition is set equal to 150% of resident tuition, unless covered by a

reciprocity agreement. This method of setting tuition, based on districts' projections of costs and full-time equivalent (FTE) enrollments in order to generate the percentage of costs required by law, automatically causes the statutory floor relating to tuition to increase as costs rise.

2. The WTCS Board is responsible for setting statewide tuition rates annually, with tuition set to recover a desired percentage of costs in each year equal to or higher than the statutorily required percentage. In 2014-15, resident tuition for post-secondary and vocational adult courses is \$125.85 per credit, or \$3,775.50 annually for a full-time student. This rate was set to recover 23.4% of costs. Resident tuition for collegiate transfer programs is \$170.35 per credit, or \$5,110.50 annually for a full-time student, and was set to recover 48.5% of collegiate transfer costs.

3. The following table shows per credit and annual resident tuition charges from 2005-06 through 2014-15. Both post-secondary/vocational adult tuition and collegiate transfer tuition increased by an average of 5.2% in each of the last 10 years.

**WTCS Tuition, 2005-06 to 2014-15**

	<u>Post-Secondary/Vocational Adult</u>			<u>Collegiate Transfer</u>		
	<u>Per Credit</u>	<u>Annual</u>	<u>Percent Change</u>	<u>Per Credit</u>	<u>Annual</u>	<u>Percent Change</u>
2005-06	\$80.50	\$2,415.00	5.9%	\$109.10	\$3,273.00	5.9%
2006-07	87.00	2,610.00	8.1	117.90	3,537.00	8.1
2007-08	92.05	2,761.50	5.8	124.70	3,741.00	5.8
2008-09	97.05	2,911.50	5.4	131.50	3,945.00	5.5
2009-10	101.40	3,042.00	4.5	136.10	4,083.00	3.5
2010-11	106.00	3,180.00	4.5	142.22	4,266.60	4.5
2011-12	111.85	3,355.50	5.5	150.00	4,500.00	5.5
2012-13	116.90	3,507.00	4.5	158.25	4,747.50	5.5
2013-14	122.20	3,666.00	4.5	165.40	4,962.00	4.5
2014-15	125.85	3,775.50	3.0	170.35	5,110.50	3.0

4. In 2013-14, the three major sources of revenue to WTCS districts were property taxes (\$796.7 million, or 51.9% of total revenue), tuition and fees (\$281.3 million, or 18.3% of total revenue), and state aid (\$102.9 million, or 6.7% of total revenue). In 2014-15, state aid will increase by \$406 million attributable to property tax relief aid included in 2013 Act 145, and property taxes will be reduced by the same amount from what they otherwise would have been. Under the bill, state aid for technical colleges would be maintained at base level, and under current law a revenue limit restricts technical college property tax levy increases by the district's valuation factor, or percentage increase in the district's equalized value resulting from new construction in the district. Based on projections on new construction, it is estimated that the WTCS revenue limit would increase by \$7.3 million in 2015-16 and \$8.0 million in 2016-17. WTCS staff indicate that each 1% increase in tuition results in an additional \$2.4 million in revenue for the technical college system.

5. Restricting program fee increases for high-demand fields is likely to result in lower tuition, and therefore greater taxpayer support, for programs in those fields. Some would argue that

state aid and property tax resources should be used to support programs whose graduates will be most likely to contribute to Wisconsin's economy after graduation. This could be seen as maximizing the return on the taxpayer investment in technical education. Additionally, lower tuition in high demand fields could encourage additional students to enroll in those courses, increasing the supply of workers in those areas.

6. On the other hand, the tuition savings for a pupil in a high-demand field would be relatively small, and may not be sufficient to convince students to choose a high demand field if the student would not otherwise have done so. As an example, between 2013-14 and 2014-15, WTCS tuition for a post-secondary/vocational adult student increased by \$3.65 for each credit, or \$109.50 in one year for a full-time student enrolled in 30 credits. Additionally, to the extent that waiting lists already exist for some high demand fields, reduced resources associated with a tuition freeze could have the effect of maintaining or reducing the current capacity of programs in those fields rather than increasing the number of graduates.

7. The bill would require an annual determination of high-demand fields by DWD. To the extent that high-demand fields may change from one year to the next, students who begin a program in a high-demand field could experience unpredictable changes in their tuition if their field is not designated as a high-demand field in a future year. Additionally, the bill establishes a tuition freeze only for courses that relate to a high-demand field. Under this approach, the same student could be charged two different tuition rates if the student is also taking courses that do not relate to a high-demand field, such as general education courses.

8. Because WTCS tuition has historically been uniform across programs, WTCS staff indicate that administrative costs would be associated with a tuition freeze in certain programs in order to transition to a system in which multiple tuition rates are charged. For example, modifications to WTCS computer systems would be needed to charge multiple rates of tuition. Tuition would be frozen at the amount charged for the same course in the same district in the most recent school year in which the course was offered, so tuition rates for the same course could vary across districts and each district could be required to charge several different tuition rates if courses were offered that had not been available for one or more school years. As a result, this approach could create additional administrative burden for WTCS districts, and could have the unintended effect of discouraging districts from reintroducing courses that had not been offered in one or more years.

9. Under the bill, a two-year tuition freeze is proposed for resident undergraduate students enrolled in a UW institution or UW Colleges campus. The proposal prohibits the Board of Regents from charging a higher tuition for resident undergraduates in the 2015-16 and 2016-17 academic years than it charged such students enrolled in that institution or UW Colleges campus in the 2014-15 academic year. As currently written, the WTCS tuition freeze would be permanent, regardless of future increases in instructional costs. Additionally, tuition would be frozen equal to the fee charged for the course in the most recent year in which it was offered, resulting in multiple rates of tuition in cases in which a course had not been offered in a district for one or more years. Two options that the Committee may wish to consider would be to freeze tuition for courses in high-demand fields for the next two academic years and to specify that tuition would be frozen at

the 2014-15 rate.

## **ALTERNATIVES**

1. Approve the Governor's recommendation to restrict program fee (tuition) increases for courses in high demand fields to the program fee for the same course in the same district in the most recent school year in which the course was offered.
2. Modify the Governor's recommendation with one or both of the following changes:
  - a. Specify that the WTCS Board would be prohibited from increasing the tuition rate for courses in high-demand fields in the 2015-16 and 2016-17 academic years only.
  - b. Specify that the tuition rate could not be higher than the uniform tuition rates established by the WTCS Board for the 2014-15 academic year, rather than the rate in the most recent year in which the course was offered as under the bill.
3. Delete provision.

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April 17, 2015

Joint Committee on Finance

Paper #723

### Educational Approval Board (WTCS)

[LFB 2015-17 Budget Summary: Page 539, #10, 158, #1, and 62, #16]

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#### CURRENT LAW

The Educational Approval Board (EAB) is an independent state agency that approves and supervises for-profit colleges, out-of-state non-profit colleges and universities, and some in-state non-profit institutions, as well as solicitors recruiting students on behalf of an institution. Schools and solicitors representing schools reapply annually for approval from the Board. Additionally, the Board investigates student complaints, maintains student records following the closure of a school, and maintains a student protection fund comprised of fees collected from schools.

#### GOVERNOR

Delete \$711,800 PR and 6.50 PR positions annually by eliminating EAB, effective January 1, 2016.

Transfer the following functions to the proposed Department of Financial Institutions and Professional Standards (DFIPS): (a) authorizing proprietary schools that do business in Wisconsin and seek authorization from the state, defined as private trade, correspondence, business, technical, and other private schools seeking federal funding; (b) maintaining student records if a school operating in Wisconsin discontinues or may discontinue its operations and DFIPS determines that the records are in danger of being made unavailable to students or their authorized representatives and will not be maintained by the Wisconsin Association of Independent Colleges and Universities; and (c) creating rules and establishing standards necessary to fulfill these duties, including criteria and standards for issuing or revoking authorization.

Repeal statutory language requiring the inspection, examination, and approval of

proprietary schools and the provision requiring approved schools to submit a quarterly report, including information on enrollment, number of teachers and their qualifications, course offerings, number of graduates, number of graduates successfully employed, and other information required by the Board. Delete the provision requiring schools to pay student protection fees to be used for the full or partial payment of losses in the event that a school closure resulted in losses to students, parents, or sponsors.

Transfer to the Department of Agriculture, Trade, and Consumer Protection (DATCP) functions relating to consumer protection, including the authority to investigate complaints and potential violations related to proprietary schools and to establish rules and standards necessary to carry out these functions.

Repeal the following functions of the Board: (a) investigating and establishing minimum standards for courses of instruction and schools' facilities, equipment, instructional materials, and instructional programs; (b) establishing rules, standards, and criteria to prevent fraud and misrepresentation in the sale and advertising of courses and courses of instruction; (c) establishing minimum standards for refund of the unused portion of tuition, fees, and other charges if a student does not enter a course or course of instruction, withdraws, or is discontinued from the course; (d) requiring schools offering courses and courses of instruction to Wisconsin residents to furnish information concerning their facilities, curricula, instructors, enrollment policies, tuition and other charges and fees, refund policies, and other policies; (e) approving schools and courses of instruction that meet the Board's standards and publishing a list of approved schools and courses of instruction and a list of schools authorized to use the terms "college," "university," "state," or "Wisconsin" in their names; and (f) issuing permits to individuals soliciting the enrollment of individuals in a school.

Delete the provisions requiring an individual selling any course or course of instruction or soliciting students for a course or course of instruction to obtain a solicitor's permit.

## **DISCUSSION POINTS**

1. EAB originated with the passage of the G.I. Bill in 1944, which required states to approve programs of education in all institutions serving veterans before veterans could receive federal education benefits. Originally called the Governor's Educational Advisory Committee, the organization began investigating and overseeing for-profit schools in 1957 and issuing permits to school solicitors in 1961. The agency was renamed the Educational Approval Board in 1968, and its responsibilities expanded in 1971 to include approval of all proprietary schools operating in the state and in 1993 to include approval of out-of-state non-profit institutions and in-state non-profit institutions incorporated after January 1, 1992.

2. EAB consists of seven members appointed by the Governor and has an authorized staff of 6.50 PR positions. These include an executive secretary (1.0 FTE), who is responsible for the administrative functions of the Board, as required by law; school administration consultants (3.0 FTEs), who provide guidance to new schools, review and approve initial and renewal applications, and investigate complaints; a program and policy analyst (1.0 FTE), who analyzes data collected



from schools, including student outcome data, and prepares publications and presentations on findings; and operations program associates (1.5 FTEs), who provide program support, including maintaining EAB's website, processing payments, and fulfilling student transcript requests.

3. EAB is funded through program revenue derived from fees paid by regulated schools. Ninety percent of fees collected from schools, including fees from the issuance of solicitor's permits or schools applying for initial EAB approval or applying to renew their approval, are credited to an appropriation for the general operation of EAB. The remaining 10% of collected fees, equal to an estimated \$77,500 in 2014-15, is, by statute, transferred to the general fund. Additional revenue is collected from fees paid by individuals requesting a copy of a student record maintained by EAB. The fee is based on the administrative cost of taking possession of, preserving, and providing the copy of the record, and all revenue from these fees is maintained in an appropriation for the preservation of student records. In 2014-15, \$594,400 PR is budgeted in the appropriation for proprietary school programs and \$12,100 PR is budgeted in the appropriation for the preservation of student records.

4. Additionally, EAB maintains a continuing appropriation for a student protection fund. This fund is was established by the Legislature in 2003 Act 33 and is intended to compensate students, parents, or sponsors who experience losses following the unexpected closure of a school, the refusal of a school to issue a refund to which a student is entitled, or fraud or false representation used to procure a student's enrollment. Institutions approved by EAB contribute a dedicated fee equal to \$0.50 per \$1,000 of the school's adjusted gross annual revenue to replenish the fund if the amount in the fund decreases to below \$1 million. EAB staff indicate that the current fund balance is approximately \$1.4 million, and the most recent student protection fee was collected from schools in 2010. Approximately \$383,900 has been paid out from the student protection fund since August, 2014, as a result of the closure of Anthem College in 2014. The proposal would eliminate the student protection fund and transfer the fund's unencumbered balance to the general program operations appropriation for professional licensure under DFIPS.

5. EAB approves and supervises post-secondary institutions that serve Wisconsin residents, including for-profit colleges, out-of-state non-profit colleges and universities, and in-state non-profit institutions incorporated after January 1, 1992. Each of these institutions is required to seek approval from EAB prior to operating in Wisconsin and to annually renew their approval. Certain schools are exempt from EAB regulatory authority, including the following: (a) public colleges and universities; (b) in-state non-profit colleges that were either incorporated in Wisconsin prior to January 1, 1992, or had their administrative headquarters and principal place of business in Wisconsin prior to 1970; (c) schools regulated by other state agencies, including cosmetology, barbering, real estate, and certified nursing assistant programs; (d) religious schools; and (e) avocational schools. State law establishes that EAB oversight does not apply to schools, courses of instruction, and training programs that are approved or licensed and supervised by other state agencies or boards.

6. EAB's initial approval process requires schools to submit information about the following: (a) institutional planning, including the school's mission, intended market, strengths and weaknesses, and goals; (b) management, ownership, and governance, including an organizational

chart, an explanation of how the school will function, and bylaws related to the school's governance; (c) fiscal soundness and stability, including financial statements; (d) a surety bond in the amount of the lesser of \$25,000 or 125% of unearned tuition, meaning tuition, fees, and other charges paid by Wisconsin residents to enroll in a program for which the student has not yet received instruction; (e) teaching personnel, including the qualifications instructors or faculty members must have to teach, and school recruiters; (f) the school's advertising and promotional material; and (g) any legally binding enrollment contract used by the school.

7. EAB also requires schools to submit a school catalog containing the school's policy on the following: (a) admissions or entrance requirements; (b) advanced standing; (c) academic requirements and standards of progress; (d) student, financial, and academic records; (e) code of student conduct; (f) attendance, tardiness, and leaves of absence; (g) probation, dismissal, and readmittance; (h) tuition, fees, and refunds; (i) program outline and subject descriptions; (j) the instructional calendar; and (k) employment placement services. In most cases, EAB does not have specific requirements for school policies, but rather requires that schools establish policies in each area and make them available to students in written form. However, the EAB is required under state law to establish minimum standards for refund of the unused portion of tuition, fees, and other charges. Administrative rules developed by EAB require a school to provide a full refund if the student cancels enrollment within three business days, the student was accepted but later determined by the school to be unqualified, or the school procured the student's enrollment through false representation. A school must provide a partial refund based on the amount of time that has passed in the current enrollment period if the student withdraws or is dismissed before the period is at least 60% complete. Under the bill, state law would no longer require the establishment of minimum standards related to refunds.

8. In addition to reviewing the institution as a whole, EAB reviews curriculum and other information related to each program that will be offered to Wisconsin students, including a detailed program outline, learning objectives, course syllabi, a list of textbooks, instructor manuals, sample lesson plans, and a description of program testing and assessment. The detailed program review may be omitted if documentation is submitted showing the program and its curriculum has been reviewed or authorized by other approving or licensing organizations, including an organization in another state with substantially similar requirements as EAB for a distance learning institution based in another state, or if the school submits a written evaluation of the program conducted by a credible expert.

9. Minimum standards required for EAB approval include the following: (a) the program, curriculum, and instruction are of sufficient quality, content, and length as to reasonably achieve the program's stated learning objectives; (b) the school has a sufficient number of qualified instructors; (c) the school has adequate facilities, equipment, and instructional materials; (d) the school has a policy for the refund of the unused portions of tuition, fees, and other charges that meets minimum requirements established by EAB; (e) the school is in sound fiscal condition; and (f) the school has procedures in place to evaluate its educational programs, improve instruction, and review overall operations, including consideration of feedback from students, alumni, and instructors.

10. EAB requires schools that have completed the initial approval process to renew their

school and program approval annually. The renewal process requires schools to verify and update general information about the school, submit financial statements, report the amount of revenue generated from Wisconsin students, and provide student outcome data. Additionally, current law requires schools approved by EAB to submit quarterly reports with information on enrollment, number of teachers and their qualifications, course offerings, number of graduates, number of graduates successfully employed, and other information considered necessary by EAB. EAB provides student outcome information on its website for each approved program, as well as information about program costs, the availability of federal loans, and the student loan default rate.

11. The fees for initial school approval vary depending on the number and type of programs the school offers. Fees range from \$2,000 for one non-degree program to \$5,100 for one doctoral program, with a lower fee to approve each additional program offered by the same school. Initial application fees are reduced for a distance learning institution that offers only a bachelor's degree or higher and presents evidence of its accreditation and its authorization from its home state or another state in which the institution offers the same program, if the institution's home state gives similar Wisconsin institutions an equivalent reduction in oversight and licensing fees. The annual renewal fee includes an initial payment of \$500 plus a second payment based on the school's adjusted gross annual revenue, set at \$1.31 for each \$1,000 of revenue in 2014-15. Adjusted gross annual revenue is defined as the total revenue from the sale of goods and services to Wisconsin students in the previous fiscal year, including tuition, fees, books, supplies, and equipment, less any refunds made to Wisconsin students. EAB staff indicate that the renewal fee is intended to equal a predictable amount for small schools with relatively little revenue and to increase proportionately for schools with a larger amount of revenue.

12. EAB also conducts periodic site visits of approved schools, during which EAB staff complete the following: (a) interview administration, staff, and students; (b) look at student records and the record keeping system, including records of student outcomes; and (c) check compliance issues. Site visits are conducted approximately every three years for non-accredited schools and at the halfway point of the accreditation period for accredited schools, in addition to initial visits for new schools during the first six months of operations and again during the second year of operations. Most site visits are scheduled in advance, but EAB may conduct unannounced site visits in response to concerns about a school's operations.

13. EAB currently approves 252 post-secondary institutions, of which 243 are active and nine are inactive. Inactive schools do not complete the annual renewal process, and cannot currently enroll students or advertise, but can become active again without repeating the EAB's initial application process. Approximately 21,200 new students enrolled in an EAB-approved institution during the 2013 cohort period, consisting of all students who first enrolled in a program in a specified 12-month period beginning in 2013. It is estimated that approximately 40,000 Wisconsin residents are currently enrolled in these institutions. Schools approved by EAB collected \$351.6 million in tuition revenue from Wisconsin students over a 12-month period beginning in 2013.

14. Under the bill, DFIPS would authorize schools previously inspected and approved by EAB, if those schools chose to that seek authorization from the state. DFIPS authorization would satisfy federal law that institutions participating in the federal Title IV financial aid program must

first receive state authorization. However, schools would not be required to obtain approval before operating in Wisconsin as they are under current law. DFIPS would have authority to establish rules and standards for the authorization of schools, but under the bill would be required to include rules establishing that authorized schools must be accredited by an organization recognized by the U.S. Secretary of Education or the Council for Higher Education Accreditation and that schools are reauthorized at least once every four years. All rules promulgated by EAB would remain in effect unless amended or repealed by DFIPS. Under the proposal, DFIPS could assess fees sufficient to cover all costs incurred in the authorization of proprietary schools, to be established through administrative rule. Ninety percent of collected fees would be credited to an appropriation for the general program operations of DFIPS related to professional licensure, and the remaining 10% would be transferred to the general fund.

15. It appears that DFIPS authorization would be similar to procedures currently used to authorize schools licensed and regulated by the Department of Safety and Professional Services (DPS). Under current law, DPS is responsible for licensing aesthetic, barbering, cosmetology, electrology, and manicuring schools. These schools are required to obtain an initial credential, and to renew this credential every two years, based on a schedule specified in statute. (Under a separate provision in the bill, the length of a credentialing period would be extended from two years to four years.) An application for licensure by a school of barbering, cosmetology, aesthetics, electrology, or manicuring must include: (a) proof of an admissions policy that complies with DPS's standards, and copies of the relevant school catalogues, contracts used to enroll students, curriculum, and a detailed floor plan; (b) the articles of incorporation and the most recent annual financial report; and (c) a credentialing fee established through a biennial fee setting process, with passive review by the Joint Committee on Finance. Requirements for school and specialty school catalogues and contracts are also specified in statute, and certain deceptive trade, sales, and admission practices are prohibited.

16. DPS is also responsible for providing administrative support to various boards and councils, including the Board of Nursing, which is responsible for regulating schools of nursing. The Board of Nursing's responsibilities related to these institutions include the following: (a) establishing minimum standards for schools, including related clinical units and facilities; (b) making and providing periodic surveys and consultations to such schools; (c) placing qualified schools on a list of schools approved by the Board of Nursing; and (d) studying nursing education and initiating rules and policies for its improvement. Additionally, the Board of Nursing has the authority to require a site survey as part of the approval process, although DPS staff indicate that no visits have occurred recently.

17. DPS currently authorizes 90 schools, and 0.85 FTE have responsibilities related to licensing these schools. Of these, 0.75 FTE, shared among four employees, provide administrative support to the Board of Nursing, while 0.10 FTE supervises barbering, cosmetology, and other schools. DPS has indicated that the employees currently responsible for the licensure of schools would also fulfill the additional authorizing responsibilities under the bill, and additional position authority would not be needed to meet the bill's requirements.

18. DPS is required to determine fees for most initial and renewal credentials every two

years, as provided for under s. 440.03(9) of the statutes. In establishing these fees, DSPS is required to do the following: (a) recalculate the agency's administrative and enforcement costs attributable to the regulation of each occupation or institution; (b) by January 31 of each odd-numbered year, adjust each fee for the succeeding biennium to reflect the approximate administrative and enforcement costs of DSPS that are attributable to the regulation of the particular occupation or institution during the period in which the credential is in effect; and (c) within 14 days of completing the proposed fee adjustments, send a report detailing the proposed fee adjustments to the Joint Committee on Finance for the Committee's review and approval under a 14-day passive review process. While the Department has conducted the fee setting process in accordance with the statutes for each biennium since the change to the passive review-based fee setting process in the 2009-11 biennium, the Department has consistently recommended, and the Committee approved, maintaining most fees at the levels set in the 2009-11 biennium, rather than basing fees on the agency's costs of regulating each profession or institution. Consequently, although the fee study reflects costs ranging from \$659 to \$5,805 to regulate different types of schools, the 2015-17 initial fees for schools regulated by DSPS all equal \$75, and the renewal fees range from \$82 to \$170. There is no initial fee or renewal fee related to nursing school approval.

19. Under the bill, DFIPS would also take possession of and preserve the student records of a school that discontinues its operations if DFIPS determines that the records are in danger of being destroyed or otherwise made unavailable to students. Under current law, in addition to preserving student records, EAB provides other services to students in the event of a school closure that would not be provided by DFIPS, including authorizing the full or partial payment of any losses from the appropriation for student protection and providing assistance to students with transferring to a similar program at another institution and discharging private and federal student loans. Under the proposal, DFIPS could assess fees for providing a student record based on the administrative cost of taking possession of, preserving, and providing the copy of the student record. Collected fees would be credited to an appropriation for the general program operations of DFIPS related to professional licensure.

20. Current law requires school representatives who solicit Wisconsin students for any course or course of instruction to obtain a solicitor's permit from EAB. A permit is not required for recruitment activities that take place on the premises of the school. EAB staff indicate that the permits are intended to regulate recruitment practices in which students may sign binding enrollment contracts during a recruiter's visit to their homes or to other sites away from school premises. EAB indicates that 86 individuals representing 17 institutions currently hold solicitor's permits. In addition to an application fee of \$200 for initial approval and annual renewal, applicants must provide a \$2,000 surety bond, and the permit may be revoked if the individual provides false or misleading information to students or to the EAB. Under the bill, school recruiters would not be required to obtain a permit before operating in Wisconsin.

21. EAB is also responsible for investigating student complaints if an attempt to resolve a dispute through a school's established process is unsuccessful. If EAB determines that a violation of a statutory or administrative rule or an established school policy has occurred, EAB attempts to reach a settlement through mediation or conducts a hearing and imposes sanctions. EAB staff indicate that the agency receives about 50 student complaints each year, with approximately half

resulting in a formal investigation, and that the number of consumer complaints is limited by EAB approval and renewal process, which prevents schools from operating if they do not meet certain standards.

22. Under the bill, DATCP would be responsible for consumer protection functions, including investigating complaints and potential violations related to schools authorized by DFIPS. DATCP staff indicate that immediate costs would be associated with transferring and storing paper records and transferring electronic records, which would need to be converted into DATCP's electronic complaint database system. DATCP staff anticipate that it would be necessary to hire a project position or limited-term employee (LTE) to assist with the transfer of records, create informational materials and factsheets, train staff, and develop rules. Following the initial transfer, DATCP staff anticipate that the agency would be able to absorb the increased workload associated with student complaints without additional funding, and do not anticipate difficulties in acquiring sufficient knowledge of the industry to process and investigate complaints. Following the transfer of the EAB's unencumbered appropriation balances to DFIPS, the bill would allow for the one-time transfer of funds related to consumer protection, as determined by the Secretary of Administration, from the DFIPS appropriation to DATCP's appropriation for central administrative services related to state services. No ongoing funding or authority to collect fees is provided to DATCP.

23. Under current law, EAB is responsible for both investigating student complaints and approving and supervising schools. Therefore, if a number of complaints are received from students attending the same school, EAB is aware of these concerns when considering the school's annual renewal and may be able to address potential problems in the school's operations through the renewal process or through a site visit. Additionally, the EAB has the authority to impose sanctions on a school, including requiring the school to submit and implement an improvement plan or suspending the ability of a school to enroll students in a particular program. Under the bill, it could be the case that DFIPS would have limited information about student complaints filed with DATCP. Therefore, it may be preferable to keep both functions under the same agency.

24. EAB is the primary state agency responsible for overseeing for-profit colleges and universities operating in Wisconsin. In recent years, there have been concerns raised about for-profit institutions at the state and national levels because of the varied quality of their educational programming and because many of their students graduate with large amounts of debt. A U.S. Senate Committee on Health, Education, Labor, and Pensions investigation conducted between June, 2010, and July, 2012, concluded that although for-profit institutions can offer flexibility for non-traditional students and additional capacity to satisfy demand for higher education, many for-profit institutions engage in aggressive recruiting practices and charge higher tuition than comparable programs at public institutions, resulting in larger amounts of student debt. Additionally, a February, 2015, report published by EAB indicated that 43% of Wisconsin students attending a for-profit institution dropped out within the first two years of their program without obtaining a degree or diploma, compared with 18% of students attending a non-profit institution. Twenty-seven EAB-approved institutions, including 25 for-profit institutions, had a drop-out rate of greater than 40% in the first year of students' enrollment. Students who do not complete their degrees may be left with significant student debt and limited ability to repay their loans.

25. Some have expressed concern that under the proposal, some of the schools currently approved by the EAB would no longer be subject to any state oversight of educational institutions. Because DFIPS authorization would be optional for schools, it is not known how many schools currently approved by EAB would choose to seek authorization from DFIPS. However, one benefit of DFIPS authorization to schools would be that it would meet federal requirements for state authorization of schools receiving federal financial aid under Title IV of the Higher Education Act of 1965. Therefore, it is likely that the 145 schools approved by EAB that offer federal financial aid would seek authorization. The remaining 107 schools would not be required to seek authorization under state or federal law, but could choose to do so. Additionally, the bill would require that any school authorized by DFIPS have accreditation recognized by the U.S. Secretary of Education or the Council for Higher Education Accreditation. Schools currently approved by EAB that are not accredited would not be eligible for DFIPS authorization and therefore, would not be subject to their oversight. EAB staff estimate that approximately 100 schools currently approved by EAB are not accredited.

26. Some also question whether the level of oversight that would be provided by DFIPS would be equivalent to that currently provided by EAB. Under current law, EAB requires more information from the schools it approves than does DSPS, and provides a greater amount of information on its website. For example, EAB requires schools to report student outcomes, provides student outcome data on its website, and publishes an annual report analyzing the data. However, under the proposal, DFIPS would have authority to determine the information that would be required from schools for authorization, and it is not known if the information required by DFIPS would be equivalent to that currently required by DSPS or EAB. Additionally, it could be argued that requiring schools to seek reauthorization once every four years, as proposed under the bill, rather than the annual renewal required under current law, would decrease oversight and could result in concerns about a school's operations developing over a number of years before being addressed during the renewal process.

27. On the other hand, some argue that the EAB approval process creates a regulatory and fiscal burden for post-secondary institutions. Eliminating the requirements under current law would ease the process by which for-profit institutions and other institutions currently regulated by EAB could begin operating in Wisconsin. In addition to the initial application, schools would be freed from the requirements to submit annual renewal applications, report student outcome data, and participate in half- or full-day site visits by EAB staff. These requirements may be particularly burdensome for institutions that are based in another state and offer distance learning programs in many states, including Wisconsin, and which must fulfill approval requirements and pay related fees for each state in which they operate.

28. Under the bill, the statutory authority to authorize schools would become part of Chapter 440, which currently describes the responsibilities of DSPS, including the licensure of schools related to certain professions. DFIPS would be formed by merging DSPS with the Department of Financial Institutions (DFI). If the Committee chooses to approve the elimination of EAB but not the merger between DSPS and DFI that would form DFIPS, the authority to authorize schools that would be transferred to DFIPS under the bill would instead remain with DSPS.

29. Under the bill, the provisions related to the creation of DFIPS, including the elimination of EAB, would go into effect on January 1, 2016. However, the bill does not provide expenditure authority for EAB in 2015-16. A correction is needed to provide funding to allow EAB to operate between July 1, 2015 and January 1, 2016. The bill specifies that all of EAB's unencumbered appropriation account balances would be transferred to DFIPS immediately prior to January 1, 2016.

## ALTERNATIVES

1. Approve the Governor's recommendation to eliminate EAB. Transfer authority to authorize proprietary schools and maintain student records following the closure of a school to DFIPS and responsibilities related to consumer protection to DATCP. Delete the remaining functions of EAB. Provide funding for EAB's operations until the effective date of the proposal.

ALT 1	Change to Bill
PR	\$297,200

2. Modify the Governor's proposal to retain one or more of the following functions of EAB relating to schools currently subject to EAB oversight. If DFIPS required additional position authority and funding to fulfill its expanded responsibilities, it could request this from the Committee through a s. 16.505/16.515 request.

a. Require that DFIPS maintain a fund for student protection. Provide that DFIPS would specify a student protection fee to be paid by authorized schools by rule, and that DFIPS must discontinue collecting annual student protection fees if the balance in the fund exceeds \$1,000,000. Specify that DFIPS would be authorized to make payments from the fund in the event that a school closure resulted in losses to students, parents, or sponsors. Create a new continuing appropriation under DFIPS for the fund, and provide that the unencumbered balance in EAB's student protection fund would be transferred to the new appropriation on January 1, 2016.

b. Require a solicitor representing any school authorized by DFIPS to obtain a solicitor's permit from DFIPS prior to engaging in recruitment activities in Wisconsin. Provide that DFIPS would have the authority to develop standards and establish fees for solicitor's permits by rule.

c. Require that DFIPS establish, by rule, minimum standards for the refund of the unused portion of tuition, fees, and other charges if a student does not enter, withdraws, or is discontinued from a course.

d. Require that DFIPS, rather than DATCP, investigate student complaints and potential violations of statutes and rules related to the authorization of schools. This alternative would maintain both the authorization of schools and the investigation of student complaints under one agency.



e. Require that schools authorized by DFIPS renew their authorization at least every two years.

3. Delete provision.

<b>ALT 3</b>	<b>Change to Bill</b>	
	<b>Funding</b>	<b>Positions</b>
PR	\$1,423,600	6.50

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# WISCONSIN TECHNICAL COLLEGE SYSTEM

## LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
5	Lapse Requirement
9	Joint Self-Insured Plans

## LFB Summary Items to be Addressed in a Subsequent Paper

<u>Item #</u>	<u>Title</u>
3	Transfer Functions and Delete Positons for DOA Shared Agency Services
4	Provision of Information Technology Services by Department of Administration

