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Joint Committee on Finance

Paper #677

Incentive Grants (UW System)

[LFB 2013-15 Budget Summary: Page 479, #5]

CURRENT LAW

No provision.

GOVERNOR

Provide \$10,000,000 GPR annually in a new biennial appropriation for incentive grants. Specify that the Board of Regents would award grants from the appropriation to UW institutions to fund the following: (a) economic development programs; (b) programs that have as their objective the development of an educated and skilled workforce; and (c) programs to improve the affordability of postsecondary education for resident undergraduates.

Economic development programs would be defined as programs or activities that: (a) have the primary purpose of encouraging the establishment and growth of business in this state, including the creation and retention of jobs; and (b) receive funding from the state or federal government through state appropriations and provides financial assistance, tax benefits, or direct services to specific industries, businesses, local governments, or organizations.

Programs that have as their objective the development of an educated skilled workforce would include those that: (a) would increase the number of degrees awarded in fields for which the occupational demand is high or in fields that are jointly determined to be high-demand fields by the Department of Workforce Development and the Wisconsin Technical College System Board; (b) would increase the number of opportunities available to students to gain work experience in their fields through internships or cooperative work experiences; and (c) increase or enhance research development.

Programs to improve the affordability of postsecondary education for resident students would include those that: (a) reduce the time required to obtain a degree; (b) increase the opportunities available for high school pupils to earn credit towards a postsecondary degree; and (c) improve the transfer of credit between institutions of higher education.

Require the Board of Regents to submit a plan for the establishment of the incentive grant program to the Secretary of the Department of Administration (DOA) for his or her approval within 90 days after the effective date of the bill. Require that the plan include: (a) application procedures and procedures and criteria for each grant recipient; (b) a plan to establish performance goals and accountability measures for each grant recipient; (c) a plan to track and report program results reported by grant recipients; and (d) an acknowledgement that the amounts awarded are not base building. In addition, require the Board of Regents to submit an annual report to the DOA Secretary on the programs that have been awarded an incentive grant. Require that the report include the goals, results, and budget for each program as well as a systemwide summary of this information.

DISCUSSION POINTS

1. The funding provided under AB 40 for the incentive grant program and the purposes for which that funding could be expended are similar to funding that the Board of Regents requested for certain initiatives. In their budget request, the Board of Regents requested \$432,600 GPR and \$232,800 tuition expenditure authority in 2013-14 and \$11,140,700 GPR and \$5,998,900 tuition expenditure authority in 2014-15 and a total of 171 GPR and tuition revenue positions to support: (a) increased economic development efforts; (b) the development of dual enrollment programs; (c) additional access; and (d) improvements in student retention, graduation, and satisfaction. These activities would have improved individual institution's performance on selected accountability measures included in the annual accountability reports required under 2011 Act 32.

2. While the funding provided in the new incentive grants appropriation is similar in amount and the purposes for which it could be used, it differs from the funding requested by the UW System in a number of ways. First, under AB 40, the Board of Regents would have to develop a process through which institutions would apply for funding and establish performance goals and accountability measures for each recipient. Second, the Board of Regents would be required to submit an annual report related to the funding separate from the annual accountability reports required under 2011 Act 32. Third, no positions would be provided related to the incentive grants. Fourth, the amount of tuition revenues that should be used to support initiatives that receive incentive grant funding is not identified. Lastly, the bill would specify that incentive grants would not be base building for institutions that receive them. While it was not stated in the UW System's request, it appears that the funding requested by the Board of Regents would have been base building for the institutions.

3. The proposed incentive grant program under the UW System would be similar to a current law incentive grant program under the Wisconsin Technical College System (WTCS) Board. Under current law, WTCS receives \$6,418,300 GPR annually through an appropriation for incentive grants. These funds are used to provide grants to technical college district boards, either

singularly or in combination, for purposes including: (a) the creation or expansion of programs, courses, or services, and related staff and instructional material development; (b) the purchase or lease of high-cost instructional equipment necessary to develop or improve new or expanding occupational training programs; (c) educational programs, courses, or services that would not otherwise be established or maintained because of limitations in district fiscal capacity; and (d) the creation or expansion of programs that assist business and industry in adopting and implementing new technology, including training in the use of new technology, and instructional and continuing educational opportunities in the adoption and implementation of new technology.

4. The WTCS Board reviews applications submitted by technical college district boards and awards grants based on criteria established by the Board. District boards that receive incentive grants for activities described in (a), (b), and (d) above are required to provide matching funds equal to 25% to 75% of the total project costs. Incentive grants for activities described in (c) above may be awarded on a continuing basis while grants for activities described in (a) may be awarded for up to three years. District boards that have been awarded incentive grants are required to submit a report to the Board by September 1 of the following fiscal year evaluating the district board's performance in attaining the goals specified in the district board's grant application. The Board is required to develop and implement an audit program to assess the effectiveness of the grants in accomplishing the intended goals.

5. Under the bill as proposed by the Governor and modified by the Joint Finance Committee, the appropriation under WTCS for incentive grants would be deleted along with the appropriations for all other WTCS categorical aids. The related funding would be provided in a new appropriation for aids and grants to district boards. As under current law, district boards would have to apply for these funds and all current law matching requirements would apply.

6. The current law incentive grant program under the WTCS Board is similar to the incentive grant program that the Governor's budget would create under the UW System in that grants are awarded to institutions on a competitive basis for specific purposes that are prescribed by law. One difference between the two programs is that the bill would not require UW institutions to provide matching funds for any incentive grants that they may be awarded. However, the UW System has indicated that \$20 million of its tuition appropriation balance would be used for matching funds for incentive grants. Given how instructional and student services activities are currently funded within the UW System, it may be appropriate to require a tuition revenue match for incentive grants awarded for certain purposes such as the creation or expansion of degree programs, the expansion of internships and cooperative work experiences, programs to reduce the time required to obtain a degree, and programs to improve the transfer of credits. Traditionally, the UW System has requested that 65% of costs related to new initiatives related to instruction and student services be funded with state general purpose revenue (GPR) and that the remaining 35% of costs be funded with tuition revenues. For this reason, the Committee may wish to require that institutions applying for incentive grants to support instruction and student services activities fund 35% of program costs with tuition revenues.

7. Conversely, certain UW System activities, such as research and economic development programs, have historically not been funded with tuition revenues. These activities are

typically funded with a mix of state GPR, federal funds, and other program revenues. For this reason, the Committee may wish to prohibit the Board of Regents from requiring institutions to match grants for these purposes with tuition revenues.

8. Another difference between the current law incentive grant program under the WTCS Board and the proposed incentive grant program under the UW System is that the bill would not specify a length of time over which grants can be awarded. However, the bill does specify that incentive grants should not be base building, which could be interpreted to mean that grants should be for one or two years (a period less than or equal to the biennium). While certain activities for which incentive grants could be awarded may become self-supporting in shorter periods of time, it may be appropriate to award grants over a number of years for other activities such as the development of new degree programs. The incentive grant program under the WTCS Board specifies that grants for the creation or expansion of programs, courses, or services may be awarded for up to three years. The Committee may wish to specify that grants awarded through the proposed incentive grant program under the UW System for the creation or expansion of programs, courses, or services could similarly be awarded for up to three years. This would also clarify the language in the bill specifying that grants should not be base building.

9. A third difference between the current law incentive grant program under the WTCS Board and the proposed incentive grant program under the UW System is that the WTCS Board awards grants based on criteria established by the WTCS Board. Under the proposal, the Board of Regents would be required to submit a plan for the establishment of the program including the procedures and criteria for the granting of awards to the DOA Secretary for approval. In this way, the DOA Secretary, not the Board of Regents, would make the final determination regarding how grant awards should be made. To be consistent with the WTCS incentive grant program, the Committee could delete the language requiring the Board of Regents to submit a plan for the incentive grant program to the DOA Secretary for approval.

10. Under the bill, the Board of Regents would be permitted to award grants to increase the number of degrees awarded in fields for which the occupational demand is high or in fields that are jointly determined to be high-demand fields by the Department of Workforce Development (DWD) and the WTCS Board. A budget provision under WTCS would require the WTCS Board to establish a new formula for allocating general state aid to technical colleges based on each district's performance on a number of criteria including the number of degrees and certificates awarded in high-demand fields as jointly determined by DWD and the WTCS Board. Using the same list of high-demand fields for the purpose of both UW incentive grants and the allocation of general state aid to the technical colleges could be advantageous in that it would provide consistency across both systems.

11. However, UW institutions primarily grant higher level degrees than the technical colleges and demand for workers in a particular field may vary by education level. For example, in the field of law, demand could be high for paralegals (who may have associate's degrees) and low for lawyers (who have professional doctorate degrees). To recognize that there may be different levels of demand for workers with different levels of training in a particular field, the Committee may wish to require the Board of Regents to jointly determine with DWD high-demand fields for

bachelor's, master's, and doctoral degreeholders and permit the Board of Regents to award grants to increase the number of degrees awarded by UW institutions in those fields.

12. Under 2011 Act 32, most of the UW System's GPR appropriations were collapsed into a single GPR appropriation for general program operations referred to as the GPR "block grant." Prior to Act 32, the Legislature provided GPR funding to the UW System through a number of appropriations in addition to the general program operations appropriation. Funding was provided through these other appropriations to support specific programs such as the Department of Family Medicine and Practice, programs for minority and disadvantaged students, and industrial and economic development research. If the Legislature creates a separate GPR appropriation for the incentive grant program, it would be moving away from the "block grant" approach to funding it adopted for the UW System in the 2011-13 biennium. To be consistent with action taken in the previous biennium, the Committee could provide the proposed funding in the UW System's GPR general program operations appropriation instead of a new appropriation for this purpose.

13. In addition, Act 32 required the Board of Regents and the UW-Madison Chancellor to submit an annual accountability report to the Governor and the Legislature. The required accountability reports include measures in the following areas: (a) performance; (b) financial; (c) access and affordability; (d) undergraduate education; (e) graduate and professional education; (f) faculty; (g) economic development; and (h) collaboration. Just as AB 40 would create a separate appropriation for the incentive grant program, the bill would also require the Board of Regents to submit a separate report on programs funded through the incentive grant program. Instead of creating a separate report, the Committee could require the Board of Regents and the UW-Madison Chancellor to include the goals, results, and budget for each program that was awarded funds through the incentive grant program and, in the case of the report submitted by the Board of Regents, a systemwide summary of this information in the accountability reports required under 2011 Act 32.

14. By creating the incentive grant program, the Governor and the Legislature would be identifying particular activities and outcomes not currently reported on in the accountability reports as being high-priority. To reflect the importance of these activities and outcomes, the Committee may wish to require the Board of Regents and the UW-Madison Chancellor to include the following measures in the annual accountability report: (a) economic development programs undertaken; (b) the number of degrees awarded in fields for which the occupational demand is high or in fields that are jointly determined by DWD and the Board of Regents to be high-demand fields; (c) the number of students participating in internships or cooperative work experiences; (d) the average time required to obtain a degree; (e) the number of high school pupils who have earned credit at UW institutions; and (f) improvements made in the transfer of credit between institutions of higher education.

15. In a letter to the Committee dated May 15, 2013, the DOA Secretary recommended that the incentive grant program be funded through the UW System's program revenue block grant instead of through the new GPR appropriation that would be created for this purpose under the bill. As an alternative, the Committee could require the Board of Regents to allocate \$10 million in each year of the biennium from its program revenue appropriation for general program operations to the

new incentive grant program. However, depending on the source of the program revenue funds, this could result in tuition revenues being used to support activities that have historically been funded solely with GPR, such as economic development and research activities.

ALTERNATIVES

A. Funding

1. Approve the Governor's recommendation. This would provide \$10,000,000 annually in a new biennial appropriation for incentive grants.

2. Modify the provision as recommended by the DOA Secretary in his May 15 letter to the Committee. This would require the Board of Regents to allocate \$10,000,000 in each year of the biennium from its program revenue appropriation for general program operations to the new incentive grant program.

ALT A2	Change to Bill
	Funding
GPR	- \$20,000,000

3. Delete the Governor's recommendation and instead provide \$10,000,000 GPR annually in the UW System's GPR general program operations appropriation.

4. Delete provision. Under this alternative, the Board of Regents would not be required to develop and administer an incentive grant program.

ALT A4	Change to Bill
	Funding
GPR	- \$20,000,000

B. Statutory Language

Adopt one or more of the following:

1. Modify the Governor's recommendation to: (1) require that institutions awarded incentive grants for instructional and students services programs provide a tuition revenue match equal to 35% of program costs; and (2) prohibit the Board of Regents from requiring a tuition revenue match for incentive grants awarded for economic development, research, and other activities for which tuition has not historically been used.

2. Modify the Governor's recommendation to specify that grants awarded for the creation or expansion of programs, courses, or services could be awarded for a period of up to three years.

3. Delete the requirement that the Board of Regents submit a plan for the establishment of the incentive grant program to the Secretary of the Department of Administration (DOA) for his or her approval.

4. Modify the Governor's recommendation to require the Board of Regents to jointly determine with DWD high-demand fields for workers with bachelor's, master's, and doctoral degrees and permit the Board of Regents to award grants to increase the number of degrees awarded by UW institutions in those fields instead of fields jointly determined by DWD and the WTCS Board.

5. Delete the requirement that the Board of Regents submit an annual report to the DOA Secretary on the programs that have been awarded an incentive grant. Instead, require the Board of Regents and the UW-Madison Chancellor to include the goals, results, and budget for each program that was awarded funds through the incentive grant program and, in the case of the report submitted by the Board of Regents, a systemwide summary of this information in the annual accountability reports submitted to the Governor and the Legislature. In addition, require the Board of Regents and the UW-Madison Chancellor to include the following measures in the annual accountability reports: (a) economic development programs undertaken; (b) the number of degrees awarded in fields for which the occupational demand is high or in fields that are jointly determined by DWD and the Board of Regents to be high-demand fields; (c) the number of students participating in internships or cooperative work experiences; (d) the average time required to obtain a degree; (e) the number of high school pupils who have earned credit at UW institutions; and (f) improvements made in the transfer of credit between institutions of higher education.

6. Delete provision.

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