



Outcomes-Based Funding

2017-19 Biennial Budget Initiative

Issue

In its 2013-15 biennial budget request, the Wisconsin Technical College System (WTCS) sought to lead higher education with outcomes-based funding. Since implementing an outcomes-based funding formula in 2014, the System has successfully demonstrated a link between the colleges' outcomes and the state's investment priorities, as outlined by the Governor and the Legislature. An additional investment would allow Wisconsin's technical colleges to expand proven talent development strategies in key sectors. Capping at 30 percent the proportion of state funding subject to the outcomes-based funding formula will allow the System to maintain an appropriate balance between state-wide priorities and the need to maintain local flexibility and responsiveness.

Background

2013 Wisconsin Act 20 (i.e., the 2013-15 biennial budget act) included a historic first for higher education funding in Wisconsin. It required that a portion of general state aid distributed to each WTCS college is based on the outcomes of the college with respect to the following criteria:

- job placement rates;
- degrees and certificates awarded in high demand fields;
- programs or courses with industry-validated curriculum;
- the transition of adult basic education students to skills training;
- the success rate of adults in basic education courses;
- participation in dual enrollment programs;
- workforce training provided to businesses and individuals;
- participation in collaboration or efficiency initiatives; and
- training provided to special populations or demographic groups unique to the district.

Wisconsin Act 20 included an additional \$5 million investment in WTCS. In 2015, Wisconsin Act 55 (i.e., 2015-17 biennial budget act) added a tenth outcomes-based criteria, credit for prior learning. Further, while the act maintained the percent of state aid to be distributed through outcomes-based funding at 20 percent in 2015-16 and 30 percent in 2016-17, it reverts to zero percent after 2016-2017.

The System Board continues to support an outcomes-based funding model to better emphasize the connection between state investment and the outcomes of the technical colleges. Tying measurable outcomes to a percentage of each college's general state aid directly links the workforce development outcomes of each college with taxpayer investment. Annual reports to the Legislature provide the public and policymakers a means to chart college and System progress, enhance transparency and promote accountability.

The System's focus on specific outcomes has increased awareness of — and fostered public confidence in — the colleges' role in economic development. Since adopting the outcomes-based model in 2014:

- The number of industry-validated degree or diploma programs has increased by 11 percent from 1,404 in 2012-13 to 1,579 in 2014-15.
- Dual enrollment credits earned by high school students has increased by 27 percent, from 92,619 in 2012-13 to 117,217 in 2014-15.
- Workforce training offered by the technical colleges to employees of businesses has increased by 13 percent from 118,916 credits in 2012-13 to 134,502 credits in 2014-15.

Significantly, WTCS has demonstrated these positive outcomes without becoming more selective in our admissions. Our open access policy remains. In fact, the percentages of special populations among the total WTCS student body (i.e., low income, veteran, minority, disabled, etc.) that are traditionally considered to face greater challenges in an education setting have remained steady during this same time period.

Increase in General State Aid Investment

An additional investment of general state aid would enable WTCS to achieve even greater success in addressing Wisconsin's skilled worker shortage. According to the National Skills Coalition, middle skill jobs — those requiring a postsecondary credential, but not a baccalaureate — account for 56 percent of Wisconsin's labor market, but only 49 percent of Wisconsin's workers are trained to the middle skill level. This trend will only increase given estimates of fewer overall workers: demographers predict a 5.1 percent decrease in Wisconsin's prime working age populations (i.e., 25 to 54) from 2010 to 2040, despite 6.2 percent increase in total state population. With the skilled worker shortage, Wisconsin cannot afford to leave anyone out of the workforce who wants to train for a higher skilled, higher paying job.

As WTCS colleges strive to improve outcomes and address the skilled worker shortage in Wisconsin, they increasingly pursue best practices, which are often more costly. For example, one national best practice adopted by some WTCS colleges, calls for the co-teaching of Adult Basic Education (ABE) students and English Language Learners (ELL). Team teaching places an ABE/ELL teacher alongside the regular occupational lab or course instructor for at least

50 percent of the target course hours. This higher teacher to student ratio along with a small amount of teacher coordination time results in higher cost per student to deliver the course. However, course completion rates are greater with this approach. One college reported an 89 percent course completion rate using the team teaching method versus 84 percent for traditional students with traditional programming. Further, team teaching puts these students on a path to obtain workplace credentials from the start. The same college reported 42 credentials were awarded to students in 2015-16 that would otherwise not have been conferred because these students would not have qualified academically for the traditional program.

Another best practice, Career Pathways, shows great promise for helping Wisconsin meet its need for middle-skill workers. Career Pathways is a system-wide effort to create a series of connected education and training opportunities that enable individuals to move up the career ladder of their chosen profession (i.e., a certificate followed by a 1-year technical diploma followed by an associate's degree). Career Pathways requires a labor-intensive re-alignment of current degree programs. WTCS instructors must work closely with industry experts to break existing curriculum into sequences of stackable, industry-relevant credentials; incorporate employability skills throughout the sequences; and include seamless, multiple entry and exit points for students. The development of statewide tools, assessments related to credit for prior learning, and tailored student support services are examples of additional costs associated with the pathway model as compared to those of a traditional degree.

Maintain Outcomes-Based Funding at 30 Percent of General State Aid

To maintain both local flexibility and statewide priorities, an appropriate balance of statutory and outcomes-based funding is necessary. The Legislature recognized this when it first passed outcomes-based funding for WTCS in 2013 and provided for stepped increases. The percentage of general aid distributed under outcomes-based funding started at 10 percent (2014-15), increased to 20 percent (2015-16), and concludes at 30 percent (2016-17).

Because the law is silent on the percentage after 2017, the percentage of general aid distributed through the outcomes-based model will fall to zero after 2017. This would remove the financial incentives that have helped colleges to successfully focus resources on these outcomes. On the other hand, directing a higher percentage of general aid to outcomes-based funding will reduce the fixed investment necessary to sustain the educational infrastructure that supports the entirety of WTCS education and training programs. WTCS has many statutory and non-statutory missions critical to Wisconsin's workforce needs and not encompassed in the outcomes-based funding model. For example, WTCS coordinates and supervises all fire service education and training programs in Wisconsin, provides the majority of state-approved EMS training centers, and offers a low-cost alternative for those beginning their professional training

and who will later transfer to complete their educational requirements at a four year institution. This fixed investment enables WTCS to stand ready to continuously re-tool Wisconsin's workforce, remaining agile in response to market-based demands not captured in the model, whenever and wherever the need arises.

The current division of general state aid between statutory and outcomes-based funding maintains a stable and predictable resource base, while providing ample fiscal incentives to propel colleges to improve their outcomes. It safeguards institutions with good outcomes — but little relative change in those outcomes from year to year — from erratic swings in funding. The current distribution incentivizes positive, sustainable and incremental progress toward policymakers' strategic priorities. Further, according to a 2014 state-scan of performance funding in higher education, Wisconsin is among only 12 states that distribute 5 percent or more of appropriations based on outcomes.

Finally, the current distribution recognizes factors beyond colleges' control, including the historic reliance on unequal property tax bases; the historic economic health of underlying communities; varying levels of private support; and differing student populations that may require intensive support services. For example, the number of economically disadvantaged students ranges from 8 percent at Northeast Wisconsin Technical College to almost seven times that — or 53 percent — at Milwaukee Area Technical College. Simply put, neither revenues nor costs are on a level playing field among the colleges. The current distribution between general aid and outcomes-based funding strikes the appropriate balance between incentivizing college innovation and accountability, and ensuring a dedicated and predictable funding source for educational services and programs.

Request

To support and provide certainty for outcomes-based funding, statutorily define 30 percent as the on-going set aside for outcomes-based funding in 2017-18 and thereafter. In addition, to continue to incentivize positive trends among key outcomes, provide new state financial support of \$5 million in 2017-18 and \$10 million in 2018-19 above base level funding of \$88,534,900. The total appropriation would equal \$93,534,900 in 2017-18 and \$98,534,900 in 2018-19.

Statutory Language Request

Sub. 38.28(2) (bm) 2. d. is amended to read:

Sub. 38.28(2) (bm) 2. d. In fiscal year 2016-17 and thereafter, the percentage is 30 percent.

