



Legislative Fiscal Bureau

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February 14, 2006

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 183: Increase Funding for Manufacturing Extension Grants

Senate Bill 183, which would increase funding for manufacturing extension center grants, was introduced on April 22, 2005, and referred to the Senate Committee on Job Creation, Economic Development, and Consumer Affairs. On August 26, 2005, the Committee recommended the bill for passage by a vote of 3 to 2. The bill was referred to the Joint Committee on Finance on September 19, 2005.

CURRENT LAW

The manufacturing extension center grant program is administered by the Department of Commerce. The grants provide financial assistance to technology-based nonprofit organizations. Historically, funding has been provided to the Wisconsin Manufacturing Extension Partnership (WMEP). Beginning in 2003-04, funding was also provided to the Northwest Wisconsin Manufacturing Outreach Center (NWMOC). Since fiscal year 2003-04, \$850,000 GPR has been appropriated annually for manufacturing extension center grants.

WMEP is operated by an organization, the Wisconsin Center for Manufacturing and Productivity, Inc. (WCMP), that includes the Department of Commerce, University of Wisconsin System, Wisconsin Technical College System (WTCS), Marquette University, Milwaukee School of Engineering, labor, and business. WMEP provides process improvement and technology transfer services to small and medium-sized manufacturers. WMEP personnel work directly with the manufacturers to address their needs in areas such as production techniques, technology applications, business practices, and specialized training. Solutions are offered through a combination of direct assistance from staff and work with outside resources. WMEP is part of a

nationwide system of manufacturing extension partnerships that receive federal funding from the National Institute of Standards and Technology (NIST).

NWMOC is a direct partnership between the University of Wisconsin-Stout and five technical colleges: Chippewa Valley; Western Wisconsin; Wisconsin Indianhead; Nicolet Area; and Northcentral. NWMOC delivers an integrated manufacturing modernization service to small and medium-sized manufacturers in Northwest Wisconsin. Services provided by NWMOC include: free on-site assessments; on-site technical assistance; networking; technical training; seminars; and lean manufacturing. Manufacturing extension center grants were first awarded to NWMOC in each year of the 2003-05 biennium.

BACKGROUND

Historically, Commerce has provided financial assistance to technology-based nonprofit organizations (WMEP) in a number of ways, usually through the Wisconsin Development Fund (WDF). Under a provision of 1993 Wisconsin Act 232, the WDF, GPR appropriation was changed from a biennial to a continuing appropriation for 1993-94. This change allowed the Department to fund new projects with WDF monies that were previously encumbered but no longer necessary to fund the projects for which they were awarded. Act 232 also created a manufacturing extension grant program for that year. The Department was able to provide WMEP a manufacturing extension grant of \$1.575 million.

The 1997-99 budget adjustment bill (1997 Wisconsin Act 237) created the manufacturing assistance program under the WDF that included the manufacturing assessment, customized supplier training, and technology transfer subprograms. The total amount of grants that could be awarded through all three subprograms could not exceed \$750,000 in a biennium. The manufacturing assistance subprograms were designed, in part, to provide state funding to WMEP.

The manufacturing assistance programs and subprograms were eliminated in 1999 Wisconsin Act 9, and replaced by a manufacturing extension center grant program. Annual expenditure authority of \$1,000,000 was provided under the WDF program revenue repayments appropriation. However, Commerce was prohibited from encumbering any funds for manufacturing extension center grants after June 30, 2001.

The 2001-03 biennial budget created a separate program revenue appropriation and provided \$500,000 annually in tribal gaming revenue to fund the manufacturing extension center grant program. As a result, the primary source of funding for the program would no longer be the WDF. However, the bill also included a provision that required Commerce to make a grant of \$500,000 in 2001-02 and 2002-03 from the WDF program revenue repayments appropriation to a technology-based nonprofit organization to provide support for a manufacturing extension center.

The 2003-05 biennial budget eliminated tribal gaming revenues as a source of funding for the manufacturing extension grant program and, instead, provided \$100,000 GPR annually in a separate appropriation for the program. Subsequently, 2003 Wisconsin Act 256 increased annual funding for the program by \$750,000, to a total of \$850,000 GPR annually. The bill also included a provision that authorized Commerce to award up to \$1,500,000 in grants in a fiscal year.

In the 2005-07 biennial budget bill (2005 Assembly Bill 100) the Governor proposed deleting the manufacturing extension grant program and funding from Commerce, and transferring the program and related funding to the Wisconsin Technical College System Board (WTCS) for administration. Also, an additional \$650,000 GPR in annual funding would have been provided for the grant program. Total annual funding for the manufacturing extension center grant program would have been \$1,500,000 GPR. However, the Joint Committee on Finance deleted the Governor's proposal, and instead, retained the manufacturing extension center grant program in Commerce at its prior funding level of \$850,000 GPR annually. This provision was included in the 2005-07 budget act (2005 Act 25).

SUMMARY OF BILL

Senate Bill 183 would increase funding for manufacturing extension center grants by \$1,150,000 GPR in each fiscal year. The bill would also increase the statutory limit on total annual grant amounts from \$1,500,000 to \$2,000,000. Total annual funding for the grant program would be \$2,000,000 GPR.

FISCAL EFFECT

Senate Bill 183 would increase state expenditures by \$2,300,000 GPR in the 2005-07 biennium.

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