



Legislative Fiscal Bureau

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April 7, 2010

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 771: Commerce -- Wisconsin Workforce Development Association Grants

Assembly Bill 771, which would create a Wisconsin Workforce Development Association grant program, was introduced on February 24, 2010, and referred to the Assembly Committee on Rural Economic Development. Assembly Amendment 1 was offered on March 3, 2010, but was not adopted. AB 771 was recommended for passage on March 16, 2010, by a vote of 7 to 1, and referred to the Joint Committee on Finance.

BACKGROUND

The Department of Commerce administers a wide variety of separate economic development programs that provide financial assistance. However, the type of assistance provided can be categorized into six general areas: (a) entrepreneurial development; (b) capital financing; (c) technology development; (d) employee training; (e) trade shows; and (f) targeted businesses.

Entrepreneurial Development. Commerce provides early planning grants and entrepreneurial training grants to assist entrepreneurs and small businesses in developing business plans. A match of at least 25% of costs is required. The grants are provided through the Wisconsin Entrepreneurs' Network (WEN).

Capital Financing. Commerce provides three general sources for capital financing: (a) direct lending; (b) tax credits; and, (c) industrial revenue bonds. Direct lending is provided through the Department's grant and loan programs, such as the Wisconsin Development Fund (WDF). Eligible businesses receive tax credits through programs such as enterprise zones. Capital financing is also provided through industrial revenue bonds (IRB). Under the IRB program, Commerce grants bonding authority (total of \$248.3 million for 2009), called volume cap

allocation to cities, villages, and towns to issue tax-exempt bonds, that are used to finance business facilities. (Under the American Recovery and Reinvestment Act of 2009, \$184.2 million in Recovery Zone Facility Bonds (RZFBs) was allocated to the state. RZFBs provide tax-exempt financing for projects which historically would not qualify, including large manufacturing plants, distribution centers, hotels, and retail businesses.)

Technology Development. Commerce provides financial assistance to technology-based businesses, entrepreneurs, and consortia for research, product development, process development, or commercialization through the following programs: (a) the technology commercialization grant and loan programs; and (b) the technology development fund (TDF) and technology development loan (TDL) program funded through the Wisconsin Development Fund.

Employee Training. Commerce provides financial assistance for employee training through two programs: (a) customized labor training (CLT); and (b) business employees' skills training (BEST). The programs fund labor training programs that provide employees with new, advanced, or upgraded job skills. Grants finance between 50% (CLT) and 75% (BEST) of project costs with a maximum of \$1,000 (BEST) or \$2,500 (CLT) per employee trained.

Trade Shows. The Wisconsin trade project program provides financial assistance to encourage small- to medium-sized businesses to become exporters and help existing exporters seek out new markets by attending international trade shows. Eligible businesses can be reimbursed up to \$5,000 for eligible expenses related to participation in a trade show or "matchmaker" trade delegation event.

Targeted Businesses. Commerce provides financial assistance to targeted industries, such as the dairy industry, and to targeted businesses, such as women- or minority-owned businesses, through many of the Department's business development programs.

Commerce provides financial assistance to the Wisconsin Manufacturing Extension Center (WMEP) through the manufacturing extension center grant program and to the Wisconsin Technology Council through the high-technology business development corporation grant program.

Job Centers consolidate a variety of employment and training services in one location, but the programs themselves remain distinct, with funding from different state and federal sources. Services offered at Job Centers include: (a) adult, youth, and dislocated worker assistance, including rapid response services during major layoffs; (b) Trade Adjustment Assistance (TAA) for displaced workers; (c) services for participants in the W-2 and the FoodShare programs; (d) job search assistance; (e) vocational rehabilitation; (f) adult basic education and literacy; (g) unemployment insurance (UI) profiling and reemployment services; (h) older worker programs; and (i) veterans employment services. In addition, JobCenterOfWisconsin.com is operated by the job center system and DWD, and provides an employment exchange linking employers and job seekers. Wisconsin is divided into 11 workforce investment areas (workforce development areas) that are led by workforce development boards (WDBs). Each board is responsible for oversight of the job

centers in its area. There are currently 22 comprehensive job centers operating, in part, with direct state support in Wisconsin, and an additional 34 service locations that are primarily federally funded.

SUMMARY OF BILL

AB 771 would require Commerce to award grants to the Wisconsin Workforce Development Association (WWDA) for purchasing and installing a fully integrated video conferencing system to be used by at least 20 job centers across the state for collaborative meetings, career guidance workshops, and other purposes as determined by the WWDA. The total amount of grants awarded could not exceed \$710,000. Commerce would be required to enter into an agreement with WWDA that required WWDA to operate the system that was purchased and installed with the grant proceeds for at least five years after the date of purchase. WWDA would also be required to invest any resulting savings, minus the cost of operating the system, to assist unemployed or underemployed workers. Funding of \$710,000 GPR in 2009-10 would be provided for the grants in a newly created GPR, continuing appropriation. The appropriation would be repealed on June 30, 2011.

WWDA is an organization that represents local workforce investment agencies and partners in Wisconsin. WWDA represents the 11 Workforce Development Areas that administer federal Workforce Investment Act (WIA) programs, as well as other federal, state, and local workforce development initiatives in the state. WWDA indicates that four Job Centers (Madison, Jefferson, Sauk, and Marquette counties) currently have video conferencing systems.

ASSEMBLY AMENDMENT 1

AA 1 would delete the \$710,000 GPR provided for the grants in 2009-10. Without this funding no grant could be made under the bill. This amendment was not taken up by the Assembly Committee.

FISCAL EFFECT

AB 771 would provide \$710,000 GPR on a one-time basis in 2009-10, for grants to WWDA. Consequently, the bill would increase state GPR expenditures by that amount. No funding would be provided after June 30, 2011.

On January 27, 2010, this office issued a memorandum regarding the status of the state's general fund. At that time, the gross balance of the general fund, as of June 30, 2011, was estimated at \$55.7 million, or \$9.3 million below the \$65.0 million balance required under s. 20.003(4) of the state statutes. As a result, an amendment would be needed to include a notwithstanding clause relative to s. 20.003(4).

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