



Legislative Fiscal Bureau

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February 10, 2016

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 526/Assembly Bill 758: Industry Cluster Partnerships

Senate Bill 526 (SB 526) was introduced on January 17, 2016, and was referred to the Senate Committee on Economic Development and Commerce. On January 28, 2016, that Committee adopted Senate Amendment 1 (SA 1) on a vote of 4 to 1 and recommended passage of the bill as amended on a vote of 3 to 2. The bill was referred to the Joint Committee on Finance on February 2, 2016.

Assembly Bill 758 (AB 758) was introduced on January 20, 2016 and was referred to the Assembly Committee on Jobs and the Economy. On February 2, 2016, that Committee adopted Assembly Amendment 1 (AA 1) on a vote of 14 to 1 and recommended passage of the bill as amended on a vote of 14 to 1.

SB 526 and AB 758 are identical companion bills, and SB 1 and AA 1 are identical amendments to their respective bills.

SUMMARY OF BILLS AS AMENDED

SB 526/AB 758 would create a program administered by the Wisconsin Economic Development Corporation (WEDC) to provide grants to eligible industry cluster partnerships (ICPs) in this state. The bills would provide annual funding of \$5 million GPR to WEDC in a continuing appropriation to make payments to ICPs, beginning in 2015-16. Under the program, an ICP would mean a nonprofit organization whose primary purpose is to assist in developing and supporting a regional concentration of industry-specific private sector businesses in this state that share a common interest in fostering, within the applicable industry, research and development, worker skills training, and market development.

WEDC could only award a contract to an ICP that submits an application and that WEDC determines would satisfy all of the following conditions:

- a. Will strongly support the further development of existing regional concentrations of industry-specific businesses in this state;
- b. Has raised funding or funding commitments from non-WEDC and non-state sources that equal at least 10% of the annual amount the ICP is requesting;
- c. Is headquartered in this state;
- d. Has contractual relationships or memoranda of understanding with institutions of higher education, including technical colleges, for the purpose of promoting the commercialization of technology developed at those institutions, promoting entrepreneurship, conducting industry-specific research, or developing the workforce within the applicable industry; and
- e. Is governed by a board of directors with members from the public and private sectors who represent the businesses within the applicable industry, including businesses in the ICP, and who represent the interests necessary to ensure a collaborative, strategic approach to supporting economic development, job growth, and the development of marketable products and services in the applicable industry.

Any ICP in this state could apply for a contract. In addition to any other information WEDC requires, the application would have to include a business plan for the applicant that sets forth measurable economic development and business-related goals and the specific programming the applicant intends to implement to achieve those goals. The business plan would have to demonstrate to WEDC's satisfaction how the applicant plans to be without need of WEDC funding within 10 years after first receiving a payment under an ICP contract.

WEDC could make payments to ICPs, subject to each contract, but could not enter into more than one ICP contract per industry each year. In addition, WEDC could not contract with more than one ICP per industry at one time, unless every other ICP in that industry with which WEDC is under contract is materially underperforming and WEDC determines that the public interest requires contracting with another ICP within that industry. If WEDC has more than one application pending from an ICP in the same industry, WEDC would have to contract with the ICP that it determines is likely to have the greatest overall impact on economic development in this state, within the applicable industry. In making that determination, and in making all competitive funding decisions for ICP contracts, WEDC would have to give preference to the ICP that best satisfies all of the following conditions:

- a. Has demonstrated strength in academic and industry relationships;
 - b. Has strong leadership from the applicable industry on its board of directors;
 - c. Currently participates in an industry cluster initiative sponsored by a federal agency;
- and
- d. Was previously subject to an ICP contract, provided the ICP met the goals outlined in

the business plan that was submitted for the previous contract and otherwise completed the contract to WEDC's satisfaction.

Each ICP contract would have to provide, in addition to other bases for contract termination, that WEDC could terminate the contract if the ICP fails to make satisfactory progress, as determined by WEDC, toward the goals outlined in the ICP's business plan. Before terminating a contract for lack of such satisfactory progress, WEDC would have to provide the industry cluster partnership notice of the pending termination and an opportunity to cure.

An ICP under an ICP contract with WEDC, and any business, institution of higher education, including a technical college, or public utility that receives services from the ICP or that participates in a business accelerator, business incubator, or technology pilot program facilitated by the ICP, would have to receive priority, expedited service from state agencies. If a permit or other approval of a state agency were to be required for such an ICP's activities, or for activities the partnership facilitates such as field testing potentially marketable new technologies, implementing new technologies or products in a pilot project, or completing projects consistent with the economic development goals of the ICP, the applicable state agency would have to provide priority, expedited service to ensure that the agency's determination concerning the permit or approval is made as quickly as practicable and, in any event, no later than 90 days after a complete application or request for the permit or approval is received by the agency.

SB 526/AB 758 would require that, before July 1, 2017, WEDC would have to award an ICP contract to an ICP that supports the water technology and water infrastructure industry, provided all of the following conditions are satisfied:

- a. Funding for the contract is available under WEDC's continuing appropriation;
- b. WEDC receives an application for the contract;
- c. The ICP submitting the application engages in, or proposes to engage in, activities that will help accomplish any of the following: (1) economic development in the water technology and water infrastructure sector of the state's economy through the development of new water technology and the attraction of water technology businesses to this state; or (2) applied research in water technology and water infrastructure leading to the development of marketable products or services, including those intended to improve storm water or wastewater management or address needs identified by the Public Service Commission as critical to the efficient functioning of the public water supply.

These provisions would take effect on the day following publication of either SB 526 or AB 758.

SENATE AMENDMENT 1 AND ASSEMBLY AMENDMENT 1

SA 1 to SB 526 and AA 1 to AB 758 would clarify that the limit on the number of ICP contracts that WEDC could enter into during a calendar year would be not more than one contract

per year per industry, as described above.

FISCAL EFFECT

The bills would, beginning in 2015-16, provide \$5 million GPR, annually (\$10 million for 2015-17), to WEDC in a continuing appropriation to make payments to ICPs under contract with WEDC. The fiscal note submitted by WEDC stated that it has existing relationships with key Wisconsin industry consortia and the capacity to administer the program proposed under the bill without hiring additional staff.

Prepared by: Sean Moran