



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #871

### Training Program Grants (WTCS)

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 592, #2]

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#### **CURRENT LAW**

Under the training program grants program, the Wisconsin Technical College System (WTCS) Board awards grants to district boards for customized skills training or other education related to the needs of local businesses.

#### **GOVERNOR**

Provide \$2,000,000 GPR in 2007-08 and \$4,000,000 GPR in 2008-09 for training program grants. Annual base level funding for the program is \$1,000,000.

#### **DISCUSSION POINTS**

1. Under 2005 Act 25, a new, annual appropriation was created under WTCS and provided \$1,000,000 GPR annually for training program grants. Only technical college district boards are permitted to apply for the grants, in order to provide skills training or other education related to the needs of business. WTCS has also referred to the program as "workforce advancement" training grants.

2. Under administrative rules promulgated by WTCS to administer the program, each grant application by a district board must describe the following: (a) the process used to identify both employee and company needs as well as the goals and expectations of the training program; (b) the nature of the business receiving training as well as its products or services, including a

description of the impact of the business on the local or regional economy; (c) the allowable activities to be funded by the grant; and (d) a standard financial report and detailed budget.

3. Criteria for awarding the grants include sufficient financial resources to provide the training, and the extent to which employee skills and workplace efficiency will be improved by the training. The WTCS Board also considers whether the proposed training will improve the availability of services to businesses and promote increased investment in the development of incumbent workers. Finally, the Board evaluates the extent to which the proposed services support regional workforce and economic development efforts.

4. District boards providing training or employers receiving training services under the grant must contribute matching funds equal to at least 25% of total approved project costs. Grant awards cannot be used for administration, marketing, or indirect costs, and the Board may establish other limits on use of funds. A district receiving a grant must submit to the WTCS Board data and information on the use and effect of grant funds.

5. Approximately 7,600 employees were trained through the program in 2005-06, which served a total of 50 employers. Individual grant awards to employers ranged from \$7,300 to \$72,700, with an average grant totaling approximately \$27,000. For 2006-07, it is estimated that approximately 5,600 workers will be trained under the program, which will serve 61 employers. In its agency budget request, WTCS estimated that up to 35,000 workers and 250 employers could be served with the increased funding proposed under the bill.

6. WTCS conducted a survey of employers that participated in the program in 2005-06. All 35 employers participating in the survey said that employee skills were improved through the program, and 34 of the 35 reported that they were satisfied with the training provided by the technical college and would return to the technical college for future training needs. Majorities of participating employers reported improved work environments (31) and cost savings (26) as a result of the training program. Approximately half of participating employers reported reduced employee turnover following the training, while one-third reported increased wages for participating employees.

7. Some have argued that expanding the program at this time would be unnecessary given that training programs administered by other state agencies are available to certain businesses. For example, the Department of Commerce administers the business employees skills training (BEST) program, which provides grants to certain small businesses to assist them in upgrading the skills of their workforces. In addition, technical colleges often contract with businesses to provide customized training to employees. Technical colleges earned revenues from these contracts totaling \$24 million annually in 2004-05 and in 2005-06.

8. On the other hand, eligibility criteria may be limited for other state programs, so it is possible that WTCS training grants would serve different business sectors. Also, WTCS grants could fund larger-scale projects than would be possible under the BEST program, which is allocated limited funding amounts from other programs. Contracting with technical colleges individually

might not be financially feasible for some businesses without a grant. WTCS indicates that demand for training program grants has exceeded available funding in each of the first two years of the program. The WTCS Board received grant proposals totaling \$1,337,000 in 2005-06 and \$1,545,000 in 2006-07. In addition, according to WTCS, technical college administrators reported receiving far more requests for grants under the training program than they forwarded to the Board for consideration.

9. Based on the prior year figures, the Committee could choose to provide a smaller funding increase than proposed under the bill. Given the requests received by the Board in 2006-07, increases of \$1,000,000 in 2007-08 and \$2,000,000 in 2008-09 could be provided, which would represent significant increases over base level funding.

**ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to provide \$2,000,000 in 2007-08 and \$4,000,000 in 2008-09 over base level funding of \$1,000,000 for training program grants.

<b>ALT 1</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	\$0	\$6,000,000

2. Modify the Governor's recommendation to delete \$1,000,000 in 2007-08 and \$2,000,000 in 2008-09, which would result in increases of \$1,000,000 in 2007-08 and \$2,000,000 in 2008-09 over the base for training program grants.

<b>ALT 2</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	-\$3,000,000	\$3,000,000

3. Delete provision.

<b>ALT 3</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	-\$6,000,000	\$0

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