



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #841

Training Program Grants (WTCS)

[LFB 2009-11 Budget Summary: Page 683, #9]

CURRENT LAW

The training grants program under the Wisconsin Technical College System (WTCS) Board provides grants to district boards for short-term, customized skills training or other education related to the needs of local businesses. Budgeted funding equaled \$2,000,000 GPR in 2007-08 and \$3,000,000 GPR in 2008-09. Under 2009 Act 2, the budget adjustment bill, an additional \$1,000,000 GPR was provided for this program in 2008-09 on a one-time basis.

A portion of the provided funding, \$1,000,000 annually beginning in 2008-09, is set aside for grants to small businesses. For these small business grants, the following requirements apply:

(1) In order to be eligible to receive training and education provided through a grant, the employer must satisfy either of the following criteria: (a) the employer has no more than 100 employees; or (b) the employer had no more than \$10,000,000 in gross annual income in its most recent fiscal year;

(2) The WTCS Board may award a grant to a district board to provide skills training or education for a business if all of the following requirements apply: (a) the district board agrees in writing that the grant will provide skills training or other education that is related to the needs of the business to current or prospective employees; (b) the business agrees in writing to comply with the restrictions of the grant use; (c) the business and district board submit a plan to the WTCS Board detailing the proposed use of the grant, and the Board approves the plan; (d) the business and district board enter into a written agreement with the WTCS Board that specifies the conditions for the use of the grant, including reporting and auditing requirements; and (e) the business and district board agree in writing to submit to the Board, no later than six months after spending the full amount of the grant, a report detailing the use and effect of the grant; and

(3) A grant cannot be used to pay: (a) more than 80% of the cost of any skills training or other education related to the needs of the recipient business that was provided to the owner, the owner's spouse, or the owner's child; or (b) wages or compensation for lost revenue in connection with providing the training or other education, or otherwise.

In addition under Act 2, the WTCS Board is required to award at least \$1,000,000 annually for advanced manufacturing skills training requested by businesses, with priority given to welding, under the current general category of training grants, beginning in 2008-09.

GOVERNOR

Delete the current law requirement under training program grants that allocates a portion of the funding for grants to small businesses. Delete the current statutory language related to the more restrictive eligibility requirements for grants to small businesses.

DISCUSSION POINTS

1. Under 2005 Act 25, a new annual appropriation was created under WTCS for training program grants with \$1 million in 2005-06 and in 2006-07. Only technical college district boards are permitted to apply for the grants, in order to provide short-term, customized skills training or other education for incumbent workers, related to the needs of local businesses. All awards are made through a competitive grant process. WTCS has referred to the program as "workforce advancement training grants." Since 2005-06, the start of the program, through April, 2009, 265 grants totaling \$6.2 million have been awarded to 442 businesses, and a total of 27,306 employees have been trained. After a 1% across-the-board reduction under the bill, funding would total \$2,970,000 annually in the 2009-11 biennium.

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. Under the administrative code, when considering approval or disapproval of a grant award, the Board must consider: (a) whether the grant proposal indicates that the district will allocate sufficient financial resources to successfully provide the training or education in the grant proposal; (b) the extent to which the proposed training or education will improve employee skill levels, workplace efficiency and productivity; (c) the extent to which the proposed training or education will improve the availability of services to businesses and promote an increased investment in the development of incumbent workers; and (d) the extent to which the proposed training or services support regional workforce and economic development efforts.

4. District boards or employers receiving training or education 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 allowable uses of funds and matching funds. A district receiving a grant must submit to the WTCS Board data and information on the use and effect of grant funds, as specified by the Board in grant guidelines.

5. In its agency budget request, WTCS requested that the more restrictive statutory language related to the small business set-aside be repealed. Supporting material for the request indicates that the small business set-aside, for which firms must disclose additional information about their operations, has proved burdensome for the colleges and small businesses in providing training. In response to complaints, WTCS has streamlined their application processes and encouraged small businesses to collaborate in developing applications for training as part of consortia. However, some small, privately-held businesses have been reluctant to disclose their income or number of employees for competitive or other reasons.

6. The small business set-aside and accompanying eligibility restrictions under WTCS partly duplicate the business employees' skills training (BEST) grant program administered by the Department of Commerce. That program requires similar information be submitted to the agency awarding the grants, which provide funds to small businesses to assist them in upgrading the skills of their workforce. Eligible applicants are businesses located in Wisconsin with: (a) no more than 25 full-time employees; or (b) no more than \$2.5 million in gross annual income in the prior year. In addition, the business must be in one of the following industrial clusters: automation; agriculture/food products; biotechnology; information technology; manufacturing; medical devices; paper/forest products; printing; tourism; or childcare (not including in-home care). However, the Commerce BEST program has more restrictive eligibility requirements than the WTCS training grant program and has no dedicated funding source. Commerce makes BEST grants from a number of other economic development programs, depending on the type of applicant and project. The amounts awarded under the BEST program have been relatively small in recent years, totaling \$63,900 in 2005-06, \$31,200 in 2006-07, and \$69,900 in 2007-08

7. WTCS has had difficulty awarding the full amount of available funding for small businesses. The agency budget request indicates that the training needs of small businesses are smaller in scope, in general, than those larger businesses. In 2007-08, the first year of the set-aside, passage of the state budget was delayed until late October, 2007. Due to the late start, WTCS awarded only \$126,000 of the \$500,000 available for small business. WTCS had awarded approximately \$608,000 of the available \$1.0 million small business set-aside as of April, 2009, and all of the available \$2.0 million originally appropriated for general grants in 2008-09. As of April, 2009, WTCS had awarded \$433,000 of the \$1.0 million in additional one-time funding provided under Act 2.

8. WTCS has fully allocated available funding for the general category of grants. According to agency staff, viable projects applying under the general category have been denied due to insufficient funding. In addition, under 2009 Act 2, the WTCS Board is required to award at least

\$1,000,000 annually for advanced manufacturing skills training requested by businesses, with priority given to welding, beginning in 2008-09. This provision applies to the current general category of training grants, placing further restrictions on projects eligible for awards, and possibly making it more difficult for the Board to award all available funding. To accommodate this earmarking provision, the Committee could consider eliminating or reducing the set-aside for small businesses, in order to allow access to up to an additional \$1,000,000 for the general category of grants. One option would be to reduce the current \$1,000,000 set-aside to \$500,000, which would leave \$1,470,000 of annual funding available for general training grants.

9. The Committee could consider retaining the dedicated grant funding for small businesses, but simplifying the application process in order to facilitate these types of awards. If small businesses were subject to the same requirements as businesses qualifying under the general category of awards, they would still be required to describe the impact of the business on the local or regional economy; the activities to be funded by the grant; and to provide a standard financial report and detailed budget. In addition, the district board is responsible for providing data and information on the use and effect of grant funds at the conclusion of every project. However, in order for WTCS to determine whether a business qualified as "small," it would be necessary to continue to require disclosure of annual income and numbers of employees, which has raised objections from some businesses.

10. Staff from WTCS indicate that at times program administration has been complicated for businesses with grant applications that continue into the summer, because of the annual appropriation used for the program. Under an annual appropriation, unused moneys lapse to the general fund at the end of each fiscal year. In its agency budget submission, WTCS requested that the appropriation be converted to a continuing appropriation, where unexpended moneys can be carried forward indefinitely to fund training program grants in future years. As another option, the appropriation could be converted to a biennial appropriation, where moneys can be moved between each fiscal year of the biennium, but unexpended moneys lapse at the end of the biennium.

ALTERNATIVES

A. Small Business Set-Aside

1. Approve the Governor's recommendation to delete the current law requirement under training program grants that allocates \$1,000,000 annually, out of \$2,970,000 annually in 2009-10 and 2010-11, for grants to small businesses. Approve the Governor's recommendation to delete the additional application requirements and restrictions on eligibility for grants to small businesses. Under this alternative, all businesses applying for training program grants would be subject to the same requirements under WTCS administrative code.

2. Modify the Governor's recommendation by retaining the current law requirement for a small business set-aside, but reducing the amount to \$500,000, from the current allocation of \$1,000,000.

3. Delete provision, which would retain the current allocation of \$1,000,000 for grants to small businesses.

B. Type of Appropriation

1. Modify the training grant appropriation to be a continuing appropriation, where unexpended moneys can be carried forward indefinitely to support training program grants.

2. Modify the training grant appropriation to be a biennial appropriation, where moneys may be moved between the fiscal years of a biennium, but any unexpended moneys lapse at the end of the biennium.

3. Maintain current law, where the appropriation for the training grant program is an annual appropriation and unexpended moneys lapse at the end of each fiscal year.

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