



## Legislative Fiscal Bureau

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April 5, 2005

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 241/Senate Bill 129: Transfer Business Employee Skills Training Program to the Wisconsin Technical College System Board

Assembly Bill 241 was introduced on March 16, 2005 and referred to the Assembly Committee on Workforce Development. On March 18, 2005 the bill was withdrawn from the Committee on Workforce Development and referred to the Joint Committee on Finance.

Senate Bill 129 was introduced on March 18, 2005 and referred to the Senate Committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform. On March 30, 2005, the bill was withdrawn from that Committee and referred to the Joint Committee on Finance.

### **CURRENT LAW**

The Business Employees' Skills Training (BEST) grant program was created by 1999 Wisconsin Act 177 to provide grants to certain small businesses to assist employees or prospective employees in acquiring work skills sought by the businesses. The program is administered by the Department of Commerce and provides 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.

The maximum grant available is 75% of project costs up to \$1,000 per full-time employee that is trained. Grant recipients must provide a cash match of 25% of project costs. Statutorily, a business cannot receive more than \$10,000 in BEST grants; however, in practice, total grants to a

business are limited to \$5,000. The maximum total amount of grants that can be awarded is \$500,000 annually.

No single funding source is specified for BEST grants. Commerce makes BEST grants from the Wisconsin Development Fund (WDF), Rural Economic Development program (RED), or the Minority Business Development program (MBD), depending on the type of applicant and project. The total amount of BEST awards made through these programs was \$371,100 in 2000-01, \$68,900 in 2001-02, \$69,600 in 2002-03, and \$129,600 in 2003-04. Through March 2005, a total of \$65,900 had been awarded for 2004-05.

## **SUMMARY OF BILL**

Assembly Bill 241/Senate Bill 129 would eliminate the BEST program administered by Commerce and, instead, create a similar program at the Wisconsin Technical College System Board (WTCS). The WTCS BEST program would require that, to be eligible for a grant, a business must be located in Wisconsin, and either have: (a) no more than 100 full-time employees (rather than 25 currently); or (b) no more than \$2.5 million in gross annual income in the prior year.

The WTCS Board would be authorized to award a grant to a business if all of the following BEST requirements applied:

- a. The business must have paid state sales taxes for at least six months prior to applying for the grant.
- b. The business agrees in writing to use the grant only to provide skills training or other education that is related to the needs of the business to current or prospective employees.
- c. The business agrees in writing to comply with the restrictions on grant use.
- d. The business submits a plan to the WTCS Board detailing the proposed use of the grant, and the Board approves the plan.
- e. The business enters into a written agreement with the Board that specifies the conditions for the use of the grant, including reporting and auditing requirements; and
- f. The business agrees in writing to submit to Board, six months after spending the full amount of the grant, a report detailing how the grant proceeds were used.

The maximum amount of grants that could be awarded to a business would be \$20,000. The business would be required to provide matching funds equal to the amount of the grant. However, the Board would be authorized to waive the matching requirement if it determined that the business

was subject to extreme financial hardship. A grant could not be used to: (a) pay 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) pay wages, or to compensate for lost revenue, if any, in connection with providing the training or other education, or otherwise.

A new annual GPR appropriation would be created under the Technical College System and provided funding of \$1,000,000 GPR in 2005-06 and \$1,500,000 GPR in 2006-07. As a result, base level funding for the 2007-09 biennium would be \$1,500,000 GPR.

Annually, each technical college district board would be required to submit to the state board a list of the types of businesses that the district board believed, based on regional need, should be given preference in making awards. The state board would be required to give preference to those types of businesses designated by the district boards in awarding grants. The state board would also be required to promulgate rules to implement and administer the BEST grant program.

On the effective date of the act, Commerce would be required to transfer any pending grant applications to the WTCS Board for consideration.

## **FISCAL EFFECT**

Assembly Bill 241/Senate Bill 129 would eliminate the BEST program under the Department of Commerce. Since there is no specific funding source for BEST grants under Commerce, there would be no corresponding expenditure reduction. However, the bills provide GPR funding of \$1,000,000 GPR in 2005-06 and \$1,500,000 GPR beginning in 2006-07 to the WTCS Board, for grants under the program.

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