



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #800

### **Wisconsin Fast Forward, Shipbuilder Employee Training Grants, Project SEARCH, and Wisconsin Career Creator (Workforce Development -- Employment and Training)**

[LFB 2019-21 Budget Summary: Page 465, #6, #7 and funding under #8]

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#### **CURRENT LAW**

*Wisconsin Fast Forward.* Under current law, the Department of Workforce Development (DWD) is appropriated \$6,250,000 GPR annually in base funding from the Department's workforce training; programs, grants and services annual appropriation ("workforce training grants appropriation") to support DWD's Wisconsin Fast Forward (WFF) grant program. From this amount, DWD is required to award WFF grants to private and public organizations for the development and implementation of workforce training programs. An organization that is awarded a WFF grant may use the grant for training unemployed and underemployed workers and incumbent employees of businesses in Wisconsin. As a condition of receiving a WFF grant, the Department may require a public or private organization to provide matching funds at a percentage determined by DWD.

From DWD's workforce training grants appropriation, the Department is also authorized to award grants for: (a) collaborative projects among school districts, technical colleges, and businesses to provide high school students with industry-recognized certifications in high-demand fields; (b) programs that train teachers and that train individuals to become teachers, including teachers in dual enrollment programs; (c) public-private partnerships to improve workforce retention through employee support and training; (d) community-based organizations for public-private partnerships to create and implement a nursing training program for middle school and high school students; (e) school districts to fund building modifications needed to support technical education programs; (f) grants to fund the upkeep and maintenance of the mobile classrooms; and (g) student internship coordination.

*Wisconsin Career Creator.* Under current law, as created in 2017 Wisconsin Act 58, DWD is provided a continuing GPR appropriation for a worker training and employment program ("career creator"). Act 58 provided no funding for the program in the 2017-19 biennium but

specified that of the amounts provided to the appropriation in the 2019-21 biennium, DWD must allocate \$20,000,000, through grants or other means, to facilitate worker training and employment in the state. Act 58 requires DWD to consult with the Wisconsin Technical College System Board and the Wisconsin Economic Development Corporation in implementing the career creator program. Institutions of higher education are eligible to apply for and receive worker training and employment program grants made by DWD. An institution of higher education includes campuses in the UW System, colleges within the Technical College System, and private, nonprofit institutions that are members of the Wisconsin Association of Independent Colleges and Universities.

Prior to expending any appropriated funds, DWD is required to submit to the Joint Committee on Finance a plan for implementing the career creator program. The Department may not expend any funds appropriated for the program except in accordance with the plan as approved by the Joint Committee on Finance. DWD has all other powers necessary to implement a worker training and employment program, including the power to audit and inspect the records of grant recipients. The Department is required to submit, annually, by December 31, a report to the Governor and the co-chairs of the Joint Committee on Finance providing an account of DWD's activities and expenditures for the worker training and employment program during the preceding fiscal year.

## **GOVERNOR**

Require DWD to earmark \$1,000,000 from the workforce training grants appropriation in the 2019-21 fiscal biennium for grants to a shipbuilder to train new and current employees. Specify that the shipbuilder that receives a grant under this provision must expend all grant moneys before July 1, 2021, for purposes of training new and current employees.

Require the Department to allocate \$250,000 annually from the workforce training grants appropriation for contracts entered into by DWD to provide employment skills services to persons with disabilities under the Project SEARCH program. The bill would authorize the Department to enter into contracts, and in statutes for general agency contracting, the bill creates for Project SEARCH contracts an exception to the requirement that the agency must find services that can be provided more economically or efficiently by contract. In addition, the bill would modify DWD's workforce training grants appropriation to allow as an eligible expense costs associated with these contracts.

Repeal DWD's continuing GPR appropriation for a worker training and employment program ("career creator") and delete all provisions associated with the career creator program as created by 2017 Act 58.

## **DISCUSSION POINTS**

### **Legislative History of Wisconsin Fast Forward**

1. 2013 Wisconsin Act 9 created a workforce training program under the name Wisconsin

Fast Forward (WFF). Under this program, the Department awards grants to public and private organizations for the development and implementation of workforce training programs for both new and incumbent employees. Grant funding for the program was provided through a GPR continuing appropriation established at \$7,500,000 annually for the 2013-15 biennium. Act 9 also created a biennial appropriation within DWD for the administration of the workforce training program as well as for an upgrade of the Department's labor market information system (LMIS) database. The Department allocates funding from this appropriation to staff DWD's Office of Skills Development, which administers the WFF grant program.

2. Subsequent legislation in 2013 and 2015 provided several one-time and ongoing funding increases to the Department's continuing workforce training grants appropriation and also expanded the types of training programs that could be funded. In addition, 2015 Wisconsin Act 348 consolidated previously separate GPR appropriations for apprenticeship completion awards, youth apprenticeship grants, employment transit assistance grants, and youth summer jobs programs into DWD's workforce training grants appropriation. Under Act 348, base funding from each previously separate appropriation was added to the base funding level of the workforce training grants appropriation. Increased funding, expanded grant-making authority, and the consolidation of several appropriations into a single continuing appropriation all provided increased flexibility for DWD to fund a variety of programs at the discretion of the administration.

3. 2017 Wisconsin Act 370 split DWD's continuing GPR appropriation for workforce training grants and services into eight separate annual GPR appropriations. The first column in Table 1 shows 2018-19 base funding for the single "consolidated" workforce training grants continuing appropriation prior to Act 370. The second column in the table shows 2018-19 base funding amounts for each separate annual appropriation, as provided in Act 370. As indicated in the table, the Department has the same total appropriation authority under Act 370 as in prior law (\$13,595,900).

**TABLE 1**

**Effect of 2017 Act 370 on DWD's Workforce Training Grants Appropriation for 2018-19**

	<u>Prior to Act 370</u>	<u>After Act 370 (Base Budget)</u>
Workforce Training Grants and Services	\$13,595,900	\$6,250,000
Career and Technical Education Incentive Grants		3,500,000
Technical Education Equipment Grants		500,000
Teacher Development Program Grants		-
Apprenticeship Programs		225,000
Local Youth Apprenticeship Grants		2,233,700
Employment Transit Assistance Grants		464,800
Youth Summer Jobs Programs		<u>422,400</u>
Appropriation(s) Total	\$13,595,900	\$13,595,900

4. Under Act 370, any moneys not encumbered in the workforce training grants appropriation account before the effective date of the bill (December 16, 2018) are required to lapse

to the general fund. The lapse at the end of 2018-19 is currently estimated at \$8.2 million.

### **Workforce Training Appropriation**

5. The bill would delete \$250,000 annually from the Department's workforce training grants appropriation and establish base funding for 2019-20 and 2020-21 at \$6,000,000. In earlier Committee action, this provision was removed from the bill, thereby restoring base funding for the appropriation to \$6,250,000 annually, as shown in Table 2.

6. Table 2 also shows the required allocations under the bill to Project SEARCH and for shipbuilder grants in the 2019-21 biennium, as modified by the administration's errata to specify that the Department must allocate \$1,000,000 in each fiscal year of the biennium from the workforce training appropriation for shipbuilder grants. The remaining unallocated balance for each fiscal year under the bill, as modified by JFC action and the administration's errata, is shown in the last row of the table. Assuming that the shipbuilder grant provision is modified, as requested by DOA, a total of \$5,000,000 in each year of the 2019-21 would remain unallocated and could be used to fund the Department's WFF grant program other purposes as allowed under current law.

**TABLE 2**

#### **Workforce Training Grants and Services Appropriation Funding, as Modified by DOA Errata and Prior Committee Action**

	<u>2019-20</u>	<u>2020-21</u>
Base Funding (Bill)	\$6,000,000	\$6,000,000
Restore Gov. Reduction, Prior JFC Action	<u>250,000</u>	<u>250,000</u>
Base Funding (Bill + JFC action)	\$6,250,000	\$6,250,000
Project SEARCH	-\$250,000	-\$250,000
Shipbuilder Grants, Modified by DOA Errata	<u>-1,000,000</u>	<u>-1,000,000</u>
Total Authorized Funding Remaining	\$5,000,000	\$5,000,000

7. Since 2014, DWD has awarded WFF grants to employers who demonstrate a critical need for skilled workers and are seek funding for developing and implementing a skills training program. For the first three years of the program, the Department typically issued an annual call for applications with a fixed deadline and only targeted specific industry sectors in any given year. On July 1, 2017, DWD altered the WFF program grant application process to make worker training grants available to Wisconsin businesses year-round on an ongoing basis for all industry sectors. This change was made to increase the Department's ability to respond to employer training needs. Since the inception of the WFF grant program, DWD has contracted or expended \$23.1 million in WFF worker training grants, or approximately \$4.6 million annually from 2014 through 2018.

### **Shipbuilder Worker Training Earmark**

8. The bill would require DWD to earmark \$1,000,000 from the workforce training grants

appropriation in the 2019-21 biennium for grants to shipbuilders to train new and current employees. Although not specified in the bill, the administration indicates that this provision is intended to apply to Marinette Marine, a subsidiary of Fincantieri Marine Group.

9. Under a separate provision, the bill would also require DOT to provide a \$29.0 million harbor assistance grant in the 2019-21 biennium to a shipbuilder (Marinette Marine). This funding would be used for dredging and capital equipment associated with Marinette Marine's application for a federal shipbuilding contract to construct FFG(X) Navy Frigates, a highly maneuverable, armed naval ship.

10. According to a January 24, 2019, release from the Governor, the state funding would be contingent on Marinette Marine's receipt of additional federal funds, and will allow Marinette Marine to make additional improvements to expand its shipyard infrastructure and compete for a \$10 billion federal shipbuilding contract. The release states that the shipyard expansion will ensure that Marinette Marine not only maintains a workforce of 1,500 employees, but can add an additional 400 full-time positions. The administration contends this provision is merited by the importance of the shipbuilding industry to the state in terms of its employment and economic impacts.

11. In prior years, the Committee has earmarked funds from DWD's workforce training grants appropriation for certain programs or specific beneficiaries. Most recently, 2017 Wisconsin Act 59 required DWD to make a one-time grant of \$200,000 to the Milwaukee Development Corporation for the Building Occupational Skills for Success program. Typically the Committee has chosen to require the Department to allocate existing resources within the workforce training grants appropriation to fund these earmarks. The Committee could choose to approve the Governor's recommendation to require DWD to allocate \$1,000,000 in existing spending authority within the workforce training appropriation for shipbuilder grants in the 2019-21 biennium. [Alternative A1]

12. As indicated in the 2019-21 Executive Budget Book, the Governor had recommended that DWD provide, from the Wisconsin Fast Forward appropriation, \$1,000,000 annually for grants to a shipbuilding employer to train new and current employees, or \$2,000,000 in total for the 2019-21 biennium. The administration's errata included a request to modify the bill to include the additional \$1,000,000. The bill would need to be modified to incorporate this provision. The Committee could require DWD to use existing spending authority within the appropriation to specify that the Department must allocate \$1,000,000 in each fiscal year of the biennium from the workforce training appropriation for shipbuilder grants. [Alternative A2]

13. Characterized by the Department as a historically tight labor market, Wisconsin's unemployment rate of 2.9% is near the all-time record low of 2.8%, which was reached in April, 2018. Between September 2009, and September 2018, Wisconsin added 34,893 workers to the state's labor force, while 247,335 private-sector jobs were added during this same period. In a June, 2018, survey conducted by the Wisconsin Manufacturers and Commerce of 203 employers in the state, 61.5% of respondents said that labor availability is the top public policy issue facing Wisconsin and 76% said that they are having trouble finding workers. If the Governor's recommendations were approved, this would result in less funding available for WFF grants in the biennium. Given the funding needs associated with workforce training in the state and the annual appropriation's limited capacity to fund new programming, some concern may exist regarding the impact of this proposal on

WFF grant funding levels. The Committee could provide additional one-time funding of \$1,000,000 GPR in 2019-20 to the appropriation to replace the funding allocated to Marinette Marine in 2019-21. [Alternative A3] Alternatively, the Committee could provide additional one-time funding of \$1,000,000 GPR in each year of the 2019-21 biennium. [Alternative A4]

14. Given that employers in the state that choose to submit a WFF grant application must compete with other employer-applicants for a fixed amount of annual WFF grant funding from the Department, the Committee could consider not earmarking funds for Marinette Marine, but having Marinette Marine instead submit a WFF grant application to DWD for consideration under the normal open application cycle for all applicants. [Alternative A5]

## **Project SEARCH**

15. According to DWD, Project SEARCH is a nine- to 12-month program that provides young adults with disabilities to be immersed in a local business as a way to gain employment through training and career exploration. All participants must be eligible for services with DWD's Division of Vocational Rehabilitation (DVR) and are typically in their last year of high school. At some sites, young adults who have completed high school may be eligible to participate in Project SEARCH.

16. Each project involves a partnership between DVR, a local business, a school, a vocational services agency, and a disability services agency (such as a managed care organization). Each project partner contributes funding or services to the initiative. For example, the local business provides a business liaison, an on-site training classroom and rotational internship opportunities for on-the-job training. The school provides an instructor. DVR collaborates with the local vocational services agency to supply job coaches who support students in their internships and assist students with final job placements. The disability services agency works alongside any eligible student who is hired and provides worksite assistance to that student.

17. Project SEARCH sites must be licensed by the flagship business, Cincinnati Children's Hospital, and must comply with trademarked and copyrighted standards of model fidelity. Technical assistance is provided by the founders of Project SEARCH to ensure consistency in approach and data collection for this evidence-based program. During 2017-18, 197 interns enrolled in Project SEARCH and 191 completed their internships. There are currently 230 individuals enrolled in Project SEARCH for the 2018-19 school year.

18. In 2014, DWD's Division of Employment and Training used additional one-time funding provided to the workforce training grants appropriation to contract with the Department of Health Services (DHS) for \$850,000 to expand the number of Project SEARCH sites in Wisconsin from seven to 27 sites in three years. During the three years that DHS administered the program, the number of sites was expanded to 24, with a total of \$499,600 of the \$850,000 sum being expended by DHS prior to the contract being closed. On July 1, 2017, DVR acquired the administration functions of Project SEARCH in Wisconsin. In order for DVR to reach a goal of 27 sites, and to pay for all expenses for those 27 sites, additional funds were required. Early in 2018, DWD committed an additional \$500,000 to fund Project SEARCH. Of that amount, \$349,400 has been expended. In total, \$849,000 has been expended from DWD's workforce training grants appropriation to support the expansion of Project SEARCH to 27 sites and maintain programming at each location.

19. The Governor's recommendation would require the Department to allocate \$250,000 annually from the workforce training grants appropriation for contracts entered into by DWD to provide employment skills services to persons with disabilities under the Project SEARCH program and to continue to expand Project SEARCH locations. Given that the funding for Project SEARCH has historically been provided from DWD's workforce training grants appropriation, the Committee could choose to approve the Governor's recommendation to require the Department to continue to allocate funding to expand the program. [Alternative B1]

20. DWD's 2019-21 agency budget requested additional funding and the creation of a new annual appropriation for Project SEARCH administration within the Department's Vocational Rehabilitation program area. The request stated that the additional funding for 1.0 position would be used for ongoing technical assistance and training for the sites, and for statewide coordination of Project SEARCH to ensure the sustainability of all the sites. Given the need for workforce training in the state, the Committee could provide additional base funding to a newly created annual appropriation instead of requiring the Department to allocate existing funding away from the WFF grant program. [Alternative B2]

21. The Committee could choose to not take action on the Project SEARCH item. The Department could allocate funding from DWD's existing appropriations to support the statewide Project SEARCH program. [Alternative B3]

### **Wisconsin Career Creator**

22. The Wisconsin career creator program was created under 2017 Act 58, which authorizes tax incentives and other considerations to a business (Foxconn) in an electronics and information technology manufacturing zone. Prior action by the Committee removed the Governor's recommendation to delete the Wisconsin career creator program.

23. Under current law, of the amounts provided in the 2019-21 fiscal biennium to the career creator appropriation, DWD is required to allocate \$20,000,000 to provide funding to facilitate worker training and employment in this state. Although this provision was included in Act 58, it did not require that the career creator program be only for the benefit of Foxconn.

24. The Department's agency budget request included \$20,000,000 in 2019-20 for the career creator program. Under the request, DWD planned to allocate \$14,000,000 in 2019-20 to competitively award grants to the UW System, Wisconsin Technical College System (WTCS), and the Wisconsin Association of Independent Colleges and Universities (WAICU) to: (a) expand dual enrollment course offerings (\$5,000,000); (b) provide training and education scholarships in high-demand industries (\$7,000,000); and (c) recruit, retain and credential hard-to-serve populations (\$2,000,000). Further, DWD would allocate \$6,000,000 in 2019-20 to support workforce development programs that would include: (a) developing two advanced manufacturing sector centers, one proposed for the Milwaukee area and a second in the Wausau/north central area; (b) creating a youth pre-apprenticeship program for middle school students; (c) purchasing additional mobile job centers; (d) preparing incarcerated individuals for the workforce; and (e) expanding a veteran training program to include the participation of the general public. The Committee could consider granting the request to provide \$20,000,000 GPR in 2019-20 for the purposes identified in the agency request. Under current law, the Department's plan must be submitted to and approved by

the Joint Committee on Finance prior to any encumbrance of funds. [Alternative C1]

25. As noted, as a result of 2017 Act 370, the Department has stated that it is required to lapse approximately \$8.2 million to the general fund from the workforce training grants and services appropriation at the close of 2018-19. Since these funds were previously authorized by the Committee to support workforce training programming in the state, the Committee could provide the \$8.2 million to the career creator program. [Alternative C2]

26. Current law states that of the amounts appropriated under 20.445 (1) (bg) (career creator continuing appropriation) in the 2019–21 fiscal biennium, DWD shall allocate \$20,000,000 to provide funding, through grants or other means, to facilitate worker training and employment in this state. The prospective Act 58 requirement that DWD allocate \$20,000,000 for the career creator program could be viewed as an expression of the amount of funding the 2017-18 Legislature thought reasonable for the 2019-20 Legislature to appropriate. However, the statutory requirement of \$20,000,000 could be considered unnecessary, as the 2019-20 Legislature is now able to determine any appropriation amount during budget deliberations. Further, any amounts appropriated under s. 20.445 (1)(bg) of the statutes would be subject to approval by the Committee prior to expenditure. Given that the Committee may determine a different level of funding or no funding, the Committee could delete the obsolete reference to \$20,000,000 to avoid inconsistency should a lower amount be provided in the appropriations schedule. [Alternative C3]

## ALTERNATIVES

### A. Shipbuilder Worker Training Earmark

1. Approve the Governor's recommendation to require DWD to allocate from the workforce training grants appropriation \$1,000,000 GPR in the 2019-21 biennium for grants to shipbuilders to train new and current employees.

2. Approve the Governor's recommendation as modified by the DOA errata to require DWD to allocate from the workforce training grants appropriation \$1,000,000 GPR each year in the 2019-21 biennium for grants to shipbuilders to train new and current employees. The total required allocation from DWD to shipbuilders (Marinette Marine) in the 2019-21 biennium would be \$2,000,000 GPR.

3. In addition to Alternative 2, provide \$1,000,000 GPR in 2019-20 to the Department's workforce training grants appropriation. The total required allocation from DWD to shipbuilders (Marinette Marine) in the 2019-21 biennium would be \$2,000,000 GPR.

ALT A3	Change to	
	Base	Bill
GPR	\$1,000,000	\$1,000,000

4. In addition to Alternative 2, provide \$1,000,000 GPR in 2019-20 and \$1,000,000 GPR in one-time funding in 2020-21 to the Department's workforce training grants appropriation. This would provide additional funding in each year of the biennium and would not increase the base level



of funding in the appropriation.

<b>ALT A4</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
GPR	\$2,000,000	\$2,000,000

5. Take no action.

**B. Project SEARCH**

1. Approve the Governor's recommendation to require DWD to allocate from the workforce training grants appropriation \$250,000 annually for contracts entered into by DWD to provide services to persons with disabilities under the Project SEARCH program.

2. Provide \$250,000 GPR annually to a newly created annual appropriation within DWD's Vocational Rehabilitation program for the purposes of the Project SEARCH program as specified under the bill.

<b>ALT B2</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
GPR	\$500,000	\$500,000

3. Take no action.

**C. Wisconsin Career Creator**

1. Provide \$20,000,000 GPR in 2019-20 to DWD's continuing worker training and employment program to fund the career creator program as specified in the Department's agency budget request. (Under current law and the alternative, DWD may not expend any funds appropriated for the career creator program without a program plan that is submitted to and approved by the Joint Committee on Finance.)

<b>ALT C1</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
GPR	\$20,000,000	\$20,000,000

2. Provide \$8,200,000 GPR in 2019-20 to DWD's continuing worker training and employment program to fund the career creator program. (Under current law and the alternative, DWD may not expend any funds appropriated for the career creator program without a program plan that is submitted to and approved by the Joint Committee on Finance.)

ALT C2	Change to	
	Base	Bill
GPR	\$8,200,000	\$8,200,000

3. Delete the current law reference to \$20,000,000. (This could be adopted in addition to Alternatives C1 or C2.)

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