

COMMERCE

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over <u>Base Year Doubled</u>	
						Amount	Percent
GPR	\$48,737,000	\$58,156,200	\$43,676,200	\$43,379,900	\$43,379,900	-\$5,357,100	- 11.0%
FED	147,260,000	147,669,100	149,091,100	149,091,100	149,091,100	1,831,100	1.2
PR	91,454,000	88,540,500	104,040,500	104,040,500	104,040,500	12,586,500	13.8
SEG	<u>167,186,800</u>	<u>165,896,900</u>	<u>108,983,500</u>	<u>108,983,500</u>	<u>108,983,500</u>	<u>-58,203,300</u>	- 34.8
TOTAL	\$454,637,800	\$460,262,700	\$405,791,300	\$405,495,000	\$405,495,000	-\$49,142,800	- 10.8%
BR		\$0	-\$49,076,000	-\$49,076,000	\$0		

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
GPR	68.00	61.80	61.80	61.80	61.80	- 6.20
FED	58.65	45.35	54.35	54.35	54.35	- 4.30
PR	236.45	207.10	207.10	207.10	207.10	- 29.35
SEG	<u>82.40</u>	<u>71.40</u>	<u>74.40</u>	<u>74.40</u>	<u>74.40</u>	<u>- 8.00</u>
TOTAL	445.50	385.65	397.65	397.65	397.65	- 47.85

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

Governor/Legislature: Provide adjustments of \$320,400 FED and \$300,800 SEG in 2005-06; \$230,700 FED and \$250,100 SEG in 2006-07; and \$330,300 GPR, -\$237,800 PR, and -4.0 FED, -1.5 PR, and -1.0 SEG positions annually as standard budget adjustments. Adjustments are for: (a) turnover reduction (-\$246,400 PR annually); (b) removal of noncontinuing items from the base (-\$143,600 FED and -40,900 SEG in 2005-06; -\$233,300 FED and -\$91,600 SEG in 2006-07; and -\$392,900 PR, -4.0 FED, -1.5 PR, and -1.0 SEG positions annually); (c) full funding of continuing salaries and fringe benefits (\$327,100 GPR, \$464,000

	Funding	Positions
GPR	\$660,600	0.00
FED	551,100	- 4.00
PR	- 475,600	- 1.50
SEG	<u>550,900</u>	<u>- 1.00</u>
Total	\$1,287,000	- 6.50

FED, \$393,500 PR, and \$341,700 SEG annually); (d) position reclassifications (\$3,200 GPR annually); (e) overtime (\$8,000 PR annually); and (f) minor transfers within the same alpha appropriation. In total, changes due to standard budget adjustments would increase funding by \$713,700 in 2005-06 and \$573,300 in 2006-07.

2. BUDGET REDUCTIONS

Governor/Legislature: Delete \$1,585,600 PR and 22.1 PR positions in 2005-06 and \$1,660,700 PR and 23.10 PR positions in 2006-07; and \$571,900 GPR, 8.2 GPR positions, \$920,400 SEG, 8.0 SEG positions, and 0.8 FED position annually for base level budget reductions. The reductions, by appropriation, are shown in the table below.

	Funding	Positions
GPR	-\$1,143,800	- 8.20
FED	0	- 0.80
PR	- 3,246,300	- 23.10
SEG	<u>- 1,840,800</u>	<u>- 8.00</u>
Total	-\$6,230,900	- 40.10

	2005-06		2006-07		Source
	Funding	Positions	Funding	Positions	
a. Community and Economic Development					
General Program Operations	-\$392,600	-5.70	-\$392,600	-5.70	GPR
Wisconsin Development Fund Administration	-25,100	-0.50	-25,100	-0.50	PR
American Indian Economic Development Administration	-25,000	0.00	-25,000	0.00	PR
Brownfields Redevelopment Administration	-122,000	0.00	-122,000	0.00	SEG
b. Housing Assistance					
General Program Operations	-34,100	-0.50	-34,100	-0.50	GPR
c. Regulation of Industry Safety and Buildings					
Safety and Building Operations	-1,353,600	-18.60	-1,428,700	-19.60	PR
Fire Prevention and Fire Dues Administration	-72,300	-1.00	-72,300	-1.00	PR
Federal Operations	0	-0.80	0	-0.80	FED
PECFA Administration	-293,800	-3.00	-293,800	-3.00	SEG
Petroleum Inspection Administration	-504,600	-5.00	-504,600	-5.00	SEG
d. Executive and Administrative Services					
General Program Operations	-145,200	-2.00	-145,200	-2.00	GPR
Administrative Services	<u>-109,600</u>	<u>-2.00</u>	<u>-109,600</u>	<u>-2.00</u>	PR
Total	-\$3,077,900	-39.10	-\$3,153,000	-40.10	Total
	-571,900	-8.20	-571,900	-8.20	GPR
	0	-0.80	0	-0.80	FED
	-1,585,600	-22.10	-1,660,700	-23.10	PR
	-920,400	-8.00	-920,400	-8.00	SEG

The reductions under the programs would include the following:

a. The economic and community development reductions include eliminating 5.7 positions from the Divisions of Business Development and International and Export Development, reducing funding for marketing for the American Indian Economic Development program, eliminating a vacant position for Wisconsin Development Fund administration, and deleting supplies and services funding for brownfields administration.

b. A 0.5 position and related funding would be eliminated in the Bureau of Housing.

c. Funding and position reductions in the Division of Safety and Buildings would include eliminating 2.4 program assistants, 5.9 inspectors, and 4.0 plan reviewers. Two positions would be eliminated by consolidating sections within the Integrated Services Bureau and by eliminating a program manager in the Bureau of Program Development. Other positions and related funding that would be eliminated include a vacant position associated with private, on-site wastewater treatment system reviews, 2.0 positions from the code consultant section, the OSHA director, a vacant position associated with the credentialing program, a vacant fire dues administration position, and a position in the rental unit weatherization program in 2006-07. In addition, a 0.8 vacant federal mine inspector would be eliminated but the associated expenditure authority retained. Petroleum inspection program reductions include eliminating 5.0 positions, closing three labs, reducing supplies and services funding, and replacing some local contractors for petroleum inspection programs with existing staff. Three PECFA positions and supplies funding would also be deleted.

d. An administrative services and an Office of the Secretary position, a budget and policy analyst, and a communications position and related funding would be eliminated in the Division of Administrative Services.

3. PROGRAM REVENUE APPROPRIATION LAPSES

GPR-REV \$2,881,700

Governor/Legislature: Require the Secretary of Administration to lapse \$1,403,300 in 2005-06 and \$1,478,400 in 2006-07 from program revenues to the general fund as follows:

a. *Safety and Building Operations.* The required lapse would be \$1,353,600 in 2005-06 and \$1,428,400 in 2006-07. The appropriation funds various program activities of the Division of Safety and Buildings. The source of funding for the appropriation is fees from several plan review and inspection activities related to construction such as commercial buildings, multi-family and manufactured dwellings, plumbing, private sewage systems, electrical and heating systems, and elevators.

b. *Safety and Buildings Auxiliary Services.* The required lapse would be \$24,600 in 2005-06 and \$24,600 in 2006-07. The appropriation provides funding for the costs of publications and seminars provided by the Division and the source of revenue is fees charged for those items.

c. *Wisconsin Development Fund Administration.* The required lapse would be \$25,100 in 2005-06 and \$25,100 in 2006-07. The appropriation is funded with a loan origination fee equal to 2% of major economic development and customized labor training loans in excess of \$200,000. The appropriation provides funding for administration of Wisconsin Development Fund grants and loans.

The lapses from the safety and buildings operations and WDF administration appropriations equal the expenditure reductions included in base level funding reductions.

Veto by Governor [E-1]: Delete the specific lapse amount for this agency as required under the bill as passed by the Legislature. Instead, by partial veto, create a general non-statutory provision directing the Secretary of Administration to make lapses from unspecified appropriation accounts to the general fund that total \$71,234,800. The Governor's veto message indicates his intent that the Secretary is to achieve this overall lapse amount by including a lapse of monies from this agency to the general fund in an amount equal to the lapse amounts as specified for this agency in the budget bill as passed by the Legislature.

[Act 25 Sections: 9255(1)(a)&(b)]

[Act 25 Vetoed Sections: 9255(1) title and (1)(a)&(b)]

4. CONSOLIDATION OF EXECUTIVE BRANCH ATTORNEYS AND LEGAL STAFF UNDER DOA [LFB Paper 110]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	-2.00	2.00	0.00

Governor: Delete 2.0 positions annually from the petroleum inspection fund to reflect the consolidation of the agency's attorneys and legal staff under DOA, effective January 1, 2006. Reallocate \$66,900 in 2005-06 and \$133,500 in 2006-07 from salaries and fringe benefits to the agency's supplies and services budget to pay for legal services supplied by DOA. Authorize the Secretary of DOA to identify one attorney position in Commerce as general counsel for the agency and authorize 1.0 PR unclassified position for this purpose. The general counsel position would be funded from base level salary and fringe benefits amounts associated with the position identified by the Secretary of DOA.

Specify that any transferred attorneys and legal staff would have the same rights and status as in the agency in which they originated. Specify that attorneys and legal staff that have obtained permanent status would not have to undergo a probationary period in DOA. Provide that all equipment, supplies, and furniture related to the duties of the transferred employees, as specified by the Secretary of DOA, must be transferred to DOA on January 1, 2006. [See "Administration -- Transfers to the Department."]

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 13.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that become vacant before June 30, 2007, and lapse or transfer at least \$724,900 from associated non-FED salary and fringe benefits amounts to the general fund in 2006-07. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University of Wisconsin System, to ensure the elimination of a total of 13.0 FTE state agency attorney positions.

Senate/Legislature: Add the Department of Employee Trust Funds and the Investment Board to the executive branch agencies that would be exempted from the attorney position deletion and lapse or transfer of funds requirements.

Vetoed by Governor [A-4, E-1, and E-5]: Delete: (a) the specific requirement that the Secretary of DOA lapse or transfer \$724,900 from non-FED salary and fringe benefits amounts related to the net reduction of 13.0 FTE executive branch attorney positions in 2006-07; and (b) the University of Wisconsin System from the enumeration of executive branch state agencies that would be exempt from any reduction of attorney positions. The Governor's veto message indicates that the Secretary of DOA would lapse \$724,900 as part of a larger lapse or transfer requirement totaling \$71,234,500.

[Act 25 Sections: 9155(1w)&(2)]

[Act 25 Vetoed Sections: 9155(1w)&(2)]

5. HUMAN RESOURCES AND PAYROLL BENEFITS SERVICES CONSOLIDATION [LFB Paper 112]

	Funding	Positions
PR	- \$41,600	- 0.60

Governor/Legislature: Delete \$41,600 and 0.6 position in 2006-07 associated with the consolidation of human resources and payroll benefits functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

6. PROCUREMENT AND PURCHASING SERVICES CONSOLIDATION [LFB Paper 112]

	Positions
FED	- 0.50
PR	- 1.70
Total	- 2.20

Governor/Legislature: Reallocate \$132,700 (\$103,800 PR and \$28,900 FED) from salaries and fringe benefits to unallotted reserve and delete 2.2 positions (1.7 PR and 0.5 FED) in 2006-07 associated with the consolidation of procurement and purchasing services functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

7. INFORMATION TECHNOLOGY SERVER AND NETWORK CONSOLIDATION [LFB Paper 111]

	Positions
PR	- 2.45

Governor/Legislature: Reallocate \$204,200 from salaries and fringe benefits to unallotted reserve and delete 2.45 positions in 2006-07 associated with the consolidation of information technology server and network infrastructure support in the Department of Administration. [See "Administration -- Transfers to the Department."]

8. TRANSFER MANUFACTURING EXTENSION CENTER GRANT PROGRAM [LFB Paper 206]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$1,700,000	\$1,700,000	\$0

Governor: Delete \$850,000 annually from Commerce and transfer the manufacturing extension center grant program and related funding to the Wisconsin Technical College System Board (WTCS).

Manufacturing extension grants provide financial assistance to technology-based nonprofit organizations. Historically, funding has been provided to the Wisconsin Manufacturing Extension Partnership (WMEP). Beginning in 2003-04, funding has also been provided to the Northwest Wisconsin Manufacturing Outreach Center (NWMOC). Base funding of \$850,000 GPR is provided annually in Commerce for manufacturing extension center grants. Under the bill, WTCS grants would be funded at \$1,500,000 GPR annually.

WMEP is operated by an organization, the Wisconsin Center for Manufacturing and Productivity, Inc., that includes the Department of Commerce, University of Wisconsin System and Extension, WTCS, Marquette University, Milwaukee School of Engineering, labor, and business. WMEP provides process improvement and technology transfer services to small and medium-sized manufacturers. WMEP personnel work directly with the manufacturers to address their needs in areas such as production techniques, technology applications, business practices, and specialized training. Solutions are offered through a combination of direct assistance from staff and work with outside resources. WMEP is part of a nationwide system of manufacturing extension partnerships that receive federal funding from the National Institute of Standards and Technology (NIST).

NWMOC is a direct partnership between the University of Wisconsin-Stout and five technical colleges: Chippewa Valley; Western Wisconsin; Wisconsin Indianhead; Nicolet Area; and Northcentral. NWMOC delivers an integrated manufacturing modernization service to small and medium-sized manufacturers in Northwest Wisconsin. Services provided by NWMOC include: free on-site assessments; on-site technical assistance; networking; technical training; seminars; and lean manufacturing.

Joint Finance/Legislature: Delete provision and, instead, maintain current law. As a result, the manufacturing extension center grant program would continue to be administered by Commerce and annual base level funding of \$850,000 would be provided.

9. SUPER EMPLOYMENT AND ECONOMIC DEVELOPMENT ZONE GRANT PROGRAM [LFB Paper 207]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$5,000,000	-\$5,000,000	\$0

Governor: Provide \$5.0 million beginning in 2006-07 in a biennial appropriation and create a super employment and economic development zone (SEEDZ) grant program. Commerce would be authorized to designate areas of the state as extremely depressed areas, if it determined that the unemployment rate for the area equaled or exceeded 150% of the average unemployment rate for the state. Beginning on July 1, 2006, Commerce could award grants to eligible businesses that located in designated extremely depressed areas for reimbursing the businesses' eligible costs. To award a grant, all of the following criteria would apply:

a. Commerce determines that the business would create not fewer than 100 qualifying jobs in the extremely depressed area.

b. The business enters into a written agreement with the Department that specifies the conditions for use of the grant proceeds and in which the business agrees to do all of the following: (1) compensate, at a family-supporting wage, at least 90% of the employees in qualifying jobs created in the extremely depressed area; (2) make every reasonable effort to hire individuals who reside in the area to fill at least 75% of the qualifying jobs created in the extremely depressed area; (3) after receiving a grant, submit a report to Commerce, by March 31 of the year following the year Commerce disbursed the grant, that details how the grant moneys received in that year were used.

The Department would be authorized to pay grant proceeds to an eligible business that is awarded a super employment and economic development zone grant for up to five years. Commerce would be required to promulgate administrative rules defining all of the following terms:

a. "Eligible costs" which may include property taxes, utilities, job training, employee transportation, a portion of wages paid by the business to employees who reside in the extremely depressed area, and a portion of the costs incurred by the business to provide child care at the business for employees.

b. "Extremely depressed area."

c. "Family-supporting wage."

d. "Qualifying jobs."

Joint Finance/Legislature: Delete provision.

10. TRAINING ASSISTANCE GRANT PROGRAM [LFB Paper 208]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$5,000,000	- \$5,000,000	\$0

Governor: Provide \$2,500,000 each year in a biennial appropriation and create a training assistance grant (TAG) program administered by the Department. Under the program, Commerce would be authorized to award a grant for training employees if all of the following apply:

a. The employer satisfies one of the following: (1) the employer will create significant numbers of new, high-paying jobs in Wisconsin, as determined by the Department; (2) the employer will introduce new capital investment to retain a significant number of jobs in the state, as determined by the Department; or (3) the employer agrees to pay a family-supporting wage to employees who successfully complete a job training program, and the Department determines that there is significant potential for those employees to obtain additional wage increases.

b. The employer submits, and Commerce approves, a training plan that has been developed jointly by the employer with a technical college or other training provider, and that details the proposed use of the grant proceeds.

c. The employer enters into an agreement for the use of the grant proceeds.

d. After receiving a grant, the employer agrees to submit a report to the Department, within six months after the full amount of a grant has been spent, detailing how the grant proceeds were spent.

Commerce would be required to give preference to employers that submitted training plans under which the training would be provided by a technical college. The Department would also be authorized to pay the proceeds of a grant directly to a technical college or other training provider that participated in developing the training plan. Finally, Commerce would be required to promulgate administrative rules that, for the purposes of the training assistance grant program, defined all of the following terms: (a) capital investment; (b) family-supporting wage; (c) high-paying job; and (d) significant numbers.

If funding in the TAG appropriation was exhausted, Commerce would be authorized to make training assistance grants from the Wisconsin Development Fund GPR appropriation.

Joint Finance/Legislature: Delete provision.

11. FORWARD WISCONSIN [LFB Paper 209]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$1,180,000	-\$1,180,000	\$0

Governor: Provide an additional \$180,000 in 2005-06 and \$1,000,000 in 2006-07 for Forward Wisconsin. The Department of Administration would be required to certify that Forward Wisconsin raised at least \$2 million in private funds in 2005-06 and 2006-07, in order for Forward Wisconsin to receive the additional \$1 million provided in 2006-07.

Forward Wisconsin is a 501(c)(3) nonprofit corporation created in 1984 to attract business to Wisconsin. The organization focuses on marketing Wisconsin to out-of-state companies to attract new businesses, jobs, and increased economic activity to the state. Forward Wisconsin has a staff of five full-time and one contract positions, offices in Madison, Eau Claire, and Milwaukee, and an annual budget of about \$1.0 million. Base level funding of \$320,000 GPR is provided to Forward Wisconsin. The organization also raises private funds to support its activities.

Joint Finance/Legislature: Delete provision. As a result, annual base level funding of \$320,000 GPR would be provided for aid to Forward Wisconsin.

12. TECHNOLOGY COMMERCIALIZATION PROGRAM STAFFING

	Funding	Positions
GPR	\$300,000	2.00

Governor/Legislature: Provide \$100,000 in 2005-06 and \$200,000 in 2006-07, and 2.0 positions beginning in 2005-06 that were specified under 2003 Wisconsin Act 255 to administer the technology commercialization grant and loan program and the angel investment and early stage seed investment tax credits that were created by the act. Act 255 was effective in April, 2004, and created the technology commercialization grant and loan program to provide financial assistance to entrepreneurs, start-up and early stage companies. The Act also created the angel investment and early stage seed investment tax credits to provide incentives to individuals and investment fund managers to invest in start-up and early stage businesses. Commerce was required to administer the programs and the Act specified that \$100,000 GPR in 2005-06 and \$200,000 GPR in 2006-07, with 2.0 GPR positions, be provided for administering the programs.

13. GAMING ECONOMIC DEVELOPMENT AND DIVERSIFICATION GRANT AND LOAN PROGRAM FUNDING INCREASE [LFB Paper 210 and 845]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	\$800,000	- \$1,400,000	- \$600,000

Governor: Provide \$400,000 annually in tribal gaming revenues for the gaming economic development and diversification grant and loan program. In addition, the amount transferred to the Governor's Work-Based Learning Board (GWBLB) for work-based learning grants to tribal colleges would be increased by \$300,000 to a total of \$600,000 annually. Base level funding for the program is \$2,838,700. Consequently, total funding for grants and loans would be \$3,238,700 in each year of the 2005-07 biennium.

The gaming economic development and diversification grant and loan program was created by 1999 Wisconsin Act 9 and is funded from tribal gaming revenues provided to the state under state-tribal gaming compact amendments. The program provides financial assistance to businesses affected by American Indian gaming operations and for projects to diversify local economies. An annual transfer of \$300,000 is made from the gaming grants and loans appropriation to fund work-based learning grants to tribal colleges. Under current law, that program is administered by the Wisconsin Technical College System Board. Under the bill, the program would be transferred to the GWBLB. In addition, the amount transferred from Commerce to the Board would be doubled from \$300,000 to \$600,000 annually.

Joint Finance/Legislature: Delete \$700,000 PR in annual funding and eliminate the requirement that an amount equal to the appropriation level for work-based learning grants to tribal colleges (\$600,000 annually) be transferred to the tribal college grants appropriation. The appropriation for work-based learning grants to tribal colleges would be directly provided annual funding of \$600,000 PR and would be administered by WTCS. Total annual funding available for Commerce gaming economic development and diversification grants and loans would remain at \$2,538,700 PR.

[Act 25 Section: 156d]

14. AMERICAN INDIAN ECONOMIC DEVELOPMENT LIAISON GRANT PROGRAM

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	\$50,000	- \$50,000	\$0

Governor: Provide \$25,000 tribal gaming revenues annually to restore funding for the American Indian economic development liaison grant program.

Prior to the 2003-05 biennial budget act, the economic development liaison grant program provided \$25,000 in tribal gaming funding to the Great Lakes Inter-Tribal Council (GLITC) to partially fund a Council liaison between American Indians, Indian businesses and Indian tribes interested in targeted economic assistance programs, and the agencies and organizations that administer the programs. However, as passed by the Legislature, the 2003-05 budget bill repealed the liaison grant program and deleted the \$25,000 in tribal gaming funding used for the grant. The Governor vetoed related provisions in the bill to eliminate repeal of the economic development liaison grant program and the associated appropriation. However, the veto did not restore funding for the program. In his veto message, the Governor indicated that retaining the program authority would allow Commerce to request funding at a future date.

The tribal economic development liaison acts as a spokesperson for the tribes on certain economic development issues, assists in organizing and implementing joint projects, and acts as a contact between the tribes and government agencies.

Joint Finance/Legislature: Delete provision.

15. WISCon PROGRAM TRANSFER

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions
FED	-\$1,422,000	- 9.00	\$1,422,000	9.00	\$0	0.00

Governor: Delete \$711,000 and 9.0 positions annually from Commerce and transfer the WISCon program to the University of Wisconsin System, State Laboratory of Hygiene. All incumbent employees would be transferred and would retain the same rights and status as in Commerce. Any employee who had attained permanent status would not be required to serve a probationary period at the state laboratory. All tangible personal property, including records, that related to federal Occupational and Health Administration (OSHA) testing from both Commerce and the Department of Health and Family Services would be transferred to the state lab. All contracts that related to OSHA testing would remain in effect and also be transferred to the state laboratory. The State Laboratory of Hygiene would be required to carry out the obligations of any contract until it was modified or rescinded.

The WISCon program is funded 90% with federal grant monies and provides services to help businesses comply with federal OSHA safety regulations. Consultants assess existing safety programs, evaluate work practices, identify assistance, and provide training for managers and employees. The consultants are separate from the OSHA enforcement function, and do not issue citations, propose penalties, or report safety violations to OSHA. The business must commit to the timely correction of any serious deficiencies discovered during the consultation visit.

Joint Finance/Legislature: Delete provisions transferring the Commerce program to the state laboratory. As a result, the WISCon program would continue to be administered by Commerce.

16. ENTERPRISE DEVELOPMENT ZONES MAXIMUM TAX CREDIT LIMIT [LFB Paper 211]

Governor: Delete the statutory limit of 79 on the number of enterprise development zones that can be created, and eliminate the requirement that Commerce must obtain approval from the Joint Committee on Finance to designate any zone that would exceed the statutory figure (currently authorized at a total of 81 zones). A total statewide maximum tax credit amount that could be claimed in all enterprise development zones that were created would be set at \$243 million.

The 1995-97 budget created the Enterprise Development Zones program. A business that conducts or that intends to conduct economic activity in an area of the state can apply to Commerce to have the area designated as an enterprise development zone by submitting an application and a project plan. The Department can designate the area as an enterprise development zone if the area meets certain criteria, and the Department approves the project plan. Commerce is authorized to establish the length of time an enterprise development zone can be designated, but the zone cannot be designated for more than seven years (84 months).

Originally, Commerce could not designate more than 50 enterprise development zones, unless it received approval from the Joint Committee on Finance. At the September, 1998, meeting under s. 13.10, the Joint Committee on Finance increased the number of enterprise development zones that could be created from 50 to 64. In 1999 Wisconsin Act 9, the total number of enterprise development zones that could be created was increased from 64 to 79. Finally, at the January, 2005, meeting under s. 13.10 of the statutes, the Joint Committee on Finance increased the number of zones that could be created by two, from 79 to 81. Ten of the zones are required to be for environmental remediation projects.

A business which conducts economic activity in an enterprise development zone and is certified by Commerce can claim the consolidated development zones tax credit. Only one business is eligible for tax benefits in an enterprise development zone. The maximum amount of credits that can be claimed by an eligible business in an enterprise development zone is established by Commerce, but cannot exceed \$3 million.

Joint Finance/Legislature: Delete provisions. Instead, current law would be modified as follows: (a) Commerce would be authorized to establish four additional enterprise development zones, for a total authorization of 85; (b) more than one business in an enterprise development zone could be eligible for tax credits; (c) one-half of the businesses that receive tax credits in newly authorized zones would be required to be small businesses, defined as businesses with

less than 100 employees, and (d) Commerce would be authorized to create enterprise development zones in development zones.

Vetoed by Governor [B-4 and B-5]: Increase the allowable number of enterprise development zones that could be established by 17 to a total of 98. In addition, delete the requirement that one-half the businesses that receive tax credits in newly authorized zones would be required to be small businesses (businesses with less than 100 employees). Under the veto up to \$39 million in additional tax credits could be authorized.

[Act 25 Sections: 2418m, 2419, 2419k, and 2419L]

[Act 25 Vetoed Sections: 2419 and 2419m]

17. RESTRUCTURE WISCONSIN DEVELOPMENT FUND [LFB Papers 212 and 213]

Governor: Eliminate current Wisconsin Development Fund (WDF) grant and loan programs and related administrative processes and establish more general program criteria and procedures for distributing financial assistance through the WDF. Base level funding of \$8,548,400 annually would remain. Under the restructured program, Commerce, at the request of the Development Finance Board (Board), would be authorized to make grants or loans to eligible recipients. Eligible recipients would include governing bodies or "persons" eligible to receive grants or loans. (The universal statutory definition of "person" includes all individuals, partnerships and bodies politic or corporate.) Activities eligible for awards would include: (a) capital financing; (b) worker training; (c) entrepreneurial development; (d) providing assistance to technology-based business or to businesses at a foreign trade show or event; (e) promoting urban or regional economic development; (f) establishing revolving loan funds; (g) providing working capital; and (h) promoting employee ownership by conducting or implementing feasibility studies to investigate the reorganization or new incorporation of existing businesses as employee-owned businesses.

Commerce would be required to establish criteria for awarding WDF grants and loans, including the types of eligible property that would receive priority. The Department would determine conditions applicable to grants and loans awarded. An origination fee of not more than 2% of the amount of the award could be imposed on grants or loans of \$200,000 or more. Fees that were collected would continue to be placed in the program revenue, WDF administration appropriation. With Board approval, Commerce would be required to develop procedures, related to grants and loans for all of the following: (a) submitting applications for grants and loans; (b) evaluating applications; (c) monitoring project performance; and (d) auditing grants and loans. The current requirement that the Department, with Board approval, develop and implement procedures for monitoring grant use, economic growth, job creation, and new jobs would continue.

Provisions requiring Commerce and the Board to encourage and assist small businesses in applying for and obtaining financial assistance would be retained. However, a small business

would be defined as a business with fewer than 100 employees, rather than the current definition of a business operating for profit with 250 or less employees.

Similarly, the Department could continue to retain 1% of WDF GPR funding for: (a) evaluations of proposed technical research projects; (b) grants to small businesses for preparing proposals for the federal small business innovative research program; and (c) costs associated with administering the WDF loan portfolio.

When an application for financial assistance was received, the Board would consider a number of factors in determining whether to award a grant or loan. Most of these factors must be considered under current law. However, the Board could consider any, rather than all, of the factors. Specifically, in determining whether to make an award, the Board could consider any of the following:

- a. Whether the project serves a public purpose.
- b. Whether the project will retain or increase employment in the state.
- c. Whether the project "might not" (rather than "is not likely to" currently) occur without the grant or loan.
- d. Whether financing is available from another source on reasonably equivalent terms.
- e. The extent to which the project will be financed with funds not provided by the state.
- f. Whether funds from the grant or loan will be used to pay overhead costs or to replace funds from another source.
- g. Whether the project will displace any workers in the state.
- h. The extent to which the project will retain or increase employment in the state.
- i. The extent to which the project will contribute to the economic growth of the state and the well-being of residents of the state.
- j. Whether the project will be located in an area of high unemployment or low average income.
- k. The financial soundness of the eligible recipient.
- L. The intention of the eligible recipient to repay the grant or loan.
- m. Whether the project will be located in a targeted area.

When considering whether a project for which financial assistance was requested was located in a targeted area the Board could consider any of the following factors:

- a. Whether the area has high unemployment.
- b. Whether the area has a low median household income.
- c. Whether a significant number of workers in the area have been permanently laid off by their employers, or whether public notice has been given by an employer of either a plant closing or a substantial reduction in work force that will result in a significant number of workers in the area being permanently laid off.
- d. Whether the area is designated as a development or enterprise development zone.
- e. Any other factor the board considers to be an appropriate indicator of a targeted area.

Factors related to declining population and property values, and families receiving AFDC would be deleted.

The Board would have to require that, as a condition of receiving a grant or loan, a recipient would have to contribute to a project an amount equal to at least 25% of the grant or loan. The Board would continue to be responsible for developing a policy related to the repayment of grants and loans awarded under the WDF. Specific provisions would be deleted that required that priority be given to recipients with techniques that reduce or eliminate ozone-depleting substances, hire AFDC assistance recipients, or that projects be located in targeted areas.

The current WDF programs that would be repealed include: (a) revolving loan fund capitalization grants; (b) the rapid response fund; (c) employee ownership assistance grants; (d) major economic development grants and loans; (e) urban early planning grants; (f) technology development and commercialization grants and loans; and (g) customized labor training grants. Two programs that have statutory provisions but are not funded, Wisconsin Procurement Institute grants and technology and pollution control and abatement grants and loans, would also be repealed. The Wisconsin trade project grant program would not be repealed, and the entrepreneurial training grant program does not have specific statutory provisions.

WDF definitions of terms, including biotechnology, consortium, higher educational institution, major economic development project, technology, and technology-based nonprofit organization that are related to specific WDF programs, would be repealed. There would be cross-reference changes to reflect the repeal and modifications of statutory provisions.

Under current statutory provisions the WDF provides financial assistance through the following programs:

- a. *Customized Labor Training Grants.* Customized labor training (CLT) grants fund labor training programs which provide employees with job training in new or more advanced technology, industrial and other employment-related skills, or job training in manufacturing

processes to assist employers in maintaining a technologically advanced workforce. The Department can finance up to 50% of eligible project costs not to exceed \$2,500 per employee trained. Grant funds may be used to pay base wages of trainees and associated instructional costs.

b. *Technology Development and Commercialization Grants and Loans.* Technology development and commercialization grants and loans fund technical research by a business or consortium to develop new, or improve existing, industrial products or processes (technology development) and to assist businesses in infrastructure development and commercialization of a new, product or process. Awards can be granted for the following purposes: (1) a technology development grant or loan to a business or consortium to fund technical research to develop new or to improve existing industrial products or processes that have a high probability of commercial success within a relatively short time period (two to three years); or (2) a technology development loan to a business to provide working capital or fixed asset financing to develop the infrastructure of the business or for the initial commercialization of the new industrial product or process.

c. *Major Economic Development Grants and Loans.* Major economic development (MED) grants and loans fund projects that are not eligible for funding under criteria of any other WDF program, and that involve significant capital investment, or creation or retention of a significant number of jobs. The Board decides the amount of funding for a project and a determination as to whether the award is a grant or loan. Historically, awards have ranged between \$3,000 and \$10,000 per full-time job created. Allowable uses generally include expenditures for: construction and expansion; acquisition of existing businesses, land, buildings and equipment; and working capital.

d. *Employee Ownership Assistance Grants.* Employee ownership assistance grants fund the cost of an independent third party to provide professional services to evaluate the feasibility of an employee buy-out. The maximum grant is 75% of eligible project costs up to \$15,000. Grants can fund expenditures for feasibility studies to investigate the reorganization or new incorporation of an existing business as an employee-owned business, and for professional services to implement the study.

e. *Urban Early Planning Grants.* Urban early planning grants provide financial assistance to entrepreneurs and small businesses to fund professional services related to business start-ups or expansion. Grants can be made for up to 75% of eligible project costs up to \$15,000 to a single business. Grants are generally limited to \$3,000 or less, unless it can be demonstrated that the project will have a statewide impact. The total amount of urban early planning grants that can be awarded is \$250,000 in a biennium. Grants must be used to fund early planning projects. An early planning project is the preliminary stages of considering and planning the expansion or start-up of a business that is or will be located in an urban area in the state.

f. *Entrepreneurial Training Grants.* Entrepreneurial training grants are awarded through a program developed in conjunction with the University of Wisconsin-Extension Small Business Development Center (SBDC) designed to help entrepreneurs by providing financial assistance to cover a portion of the cost of attending SBDC's Entrepreneurial Training Course. Grants can be made for up to 75% of eligible tuition costs. Eligible tuition costs are limited to the tuition charged by the SBDC to attend the Entrepreneurial Training Course, including FastTrac. Grants must be used to cover the cost of tuition charged for attending the course.

g. *Wisconsin Trade Project Program.* The Wisconsin trade project program provides reimbursement for attending international trade shows, U.S. trade shows (in certain circumstances), and U.S. Department of Commerce sanctioned "matchmaker" trade delegation events. Eligible applicants are businesses, including affiliates, with \$25,000,000 or less in gross annual sales that are operating in the state and manufacturing a product and/or performing a service with potential to be exported. The maximum reimbursement amount is \$5,000 a year, and not more than \$5,000 for participation in a single trade show or matchmaker trade delegation event. The following costs are eligible for reimbursement: (1) fees for participation in a trade show, a U.S. trade show, or a U.S. Department of Commerce sanctioned matchmaker trade delegation event; (2) costs associated with shipping displays, sample products, catalogs or advertising material to a trade show, a U.S. trade show, or matchmaker trade delegation event; (3) costs incurred at a trade show, a U.S. trade show, or matchmaker trade delegation event for utilities, booth construction or necessary modifications, repairs, or other reasonable expenses associated with displays; and (4) costs associated with foreign language translation of brochures, or product information, or with the use of translation services and interpreters at a trade show, a U.S. trade show, or matchmaker delegation event.

h. *Rapid Response Fund.* The rapid response fund provides financial assistance to businesses or local governments to prepare sites for businesses to locate or expand, in communities that have experienced plant closings or substantial layoffs. Funding is provided in the form of loans. Loan recipients must provide matching funds equal to 25% of the cost of the project up to a maximum of \$250,000. The Department may not award more than \$2 million in total loans from the rapid response fund in a biennium. Loans can only be used for the following purposes: (1) the renovation or improvement of an existing building; (2) the purchase of land, an existing building, machinery or equipment; and (3) the construction of a new building. Commerce has not made any awards under this provision in recent years.

i. *Revolving Loan Fund Capitalization Grants.* Revolving loan fund capitalization grants provide funding for local revolving loan funds, which are used to promote local and regional economic development, primarily in areas that experience business closings or substantial layoffs. This program is, in part, intended to operate in conjunction with the rapid response fund. The maximum total amount of loan fund capitalization grants that can be made in a biennium is \$500,000. Grants must be used to establish or provide capital for local revolving loan funds. The revolving loan fund must be used to promote local or regional economic development. Commerce has not made any awards under this provision in recent years.

WDF award recipients are currently required to provide a nonstate match of at least 25% of the eligible project costs. However, in practice, recipients typically must provide matching amounts that exceed the statutorily minimum requirement. In many cases, the match exceeds the amount of the award.

Currently, Commerce is authorized to charge an origination fee of up to 2% on MED and CLT grants and loans in excess of \$200,000. Fee collections are placed in a program revenue appropriation used to provide funding for administration of the WDF. In addition, the Department is authorized to use up to 1% of amounts appropriated for GPR WDF awards for evaluation costs, collection costs, foreclosure costs, and other costs associated with administering the WDF loan portfolio.

The WDF is funded through a general purpose revenue (GPR) and a program revenue (PR) repayments appropriation. The program revenue repayments appropriation was established to operate similar to a revolving loan fund. Amounts received from WDF loan repayments are credited to the repayments appropriation and these monies can be used to fund WDF grants and loans. Base level funding for WDF grants and loans is \$4,498,400 GPR and \$4,050,000 PR.

Joint Finance/Legislature: Delete provision. Rather, modify current law provisions as follows:

a. Require that 50% of total WDF funding be awarded to small businesses. "Small business" would be defined as a business with less than 100 employees, or \$10 million or less in gross receipts.

b. Require 35% of total WDF funding to be awarded to projects in distressed areas. "Distressed area" would be an area with one of the following: (1) high unemployment; (2) low median household income; (3) a significant number of workers in the area have been permanently laid off by their employers; (4) public notice has been given by an employer of either a plant closing or a substantial reduction in work force that will result in a significant number of workers in the area being permanently laid off; (5) designated as a development or enterprise development zone; or (6) any other factor the Development Finance Board considers to be an appropriate indicator of a targeted area.

c. Incorporate the technology commercialization grant and loan program and annual funding of \$2.6 million GPR into the WDF technology development and commercialization grant and loan program. The technology commercialization grant and loan program awards grants and loans to provide financial assistance to entrepreneurs. The program provides the following types of financial assistance: (1) early stage planning grants and loans; (2) matching grants and loans; (3) bridge grants and loans; (4) venture capital grants and loans; (5) entrepreneurial and technology transfer center grants.

d. Require Commerce to make a grant of \$2.5 million in 2005-06 from the WDF technology development and commercialization grant and loan program to the Board of

Regents of the University of Wisconsin-Milwaukee to establish a biomedical technology alliance in southeastern Wisconsin. The Department would be required to enter into an agreement with the Board of Regents that specified the uses for the grant proceeds and reporting and auditing requirements.

e. Require Commerce to make a grant of \$100,000 in 2005-06 and 2006-07 from the WDF to the Wisconsin Procurement Institute (WPI). The Department would be required to enter into an agreement with the Institute that specified the uses for the grant proceeds and reporting and auditing requirements.

f. Require Commerce to make an annual grant of \$1.4 million in fiscal years 2005-06 through 2007-08 from the WDF to the City of Green Bay for a downtown waterfront redevelopment project. The Department would be required to enter into an agreement with the City that specified the uses for grant proceeds and reporting and auditing requirements.

g. Commerce indicates that it will lapse \$336,700 GPR in 2004-05 in encumbrances identified by the Legislative Audit Bureau, for inactive grants and loans from the WDF to the general fund. This will increase the July 1, 2005, opening balance of the general fund by \$336,700.

Vetoed by Governor [B-6, B-7, and B-8]: Modify provisions as follows: (a) delete the requirement that 50% of total WDF funding be awarded to small businesses (businesses with less than 100 employees, or \$10 million or less in annual gross receipts); (b) reduce from \$2.5 million to \$500,000, the grant to the Board of Regents of the University of Wisconsin-Milwaukee to establish a biomedical technology alliance in southeastern Wisconsin; and (c) reduce to a single grant of \$1,400,000, the amount to be awarded to the City of Green Bay for a downtown waterfront redevelopment project.

[Act 25 Sections: 150m, 151, 153m, 155L, 155m, 2366m, 2376k, 2407L, 9108(2k),(3k)&(3m), 9208(2n), and 9308(1z)]

[Act 25 Vetoed Sections: 2376j, 2376L, 2376m, 2407L, 9108(3k)&(3m), and 9308(1z)]

18. DIRECT PAYMENT OF GRANT PROCEEDS

Governor: Authorize the Department to contract directly with and pay grant proceeds directly to any person providing technical or management assistance under the gaming economic development and diversification, and business employee skills training (BEST) programs.

The gaming economic development and diversification grant and loan programs provides financial assistance to businesses located in areas that are affected by American Indian gaming operations and for diversifying local economies. The program includes early planning, economic development, and economic diversification grants and loans. The BEST program

provides grants to certain small businesses to develop employee work skills sought by their employers. Currently, Commerce is authorized to contract with and pay grant proceeds directly to persons providing technical or management assistance for early planning grants under the Wisconsin Development Fund, minority business finance, and rural economic development financial assistance programs. This provision would provide the Department with similar authority under the gaming grant and loan, and BEST grant programs.

Joint Finance/Legislature: Adopt the provision as it relates to the gaming economic development and diversification grant and loan program only (the BEST program would be deleted from Commerce under a following provision).

[Act 25 Sections: 2351 and 2352]

19. TRANSFER BUSINESS EMPLOYEES' SKILLS TRAINING PROGRAM TO WISCONSIN TECHNICAL COLLEGE SYSTEM BOARD

Joint Finance/Legislature: Eliminate the Business Employees' Skills Training Program (BEST) under Commerce and, instead, create a similar program administered by the Wisconsin Technical College System (WTCS) Board. Annual funding of \$1.0 million GPR would be provided in WTCS. On the effective date of the bill, pending BEST applications would be transferred to WTCS.

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

No single funding source is currently specified for BEST grants. As a result, eliminating the program would not result in a corresponding fiscal effect. Commerce makes BEST grants from the Wisconsin Development Fund (WDF), Rural Economic Development program (RED), or the Minority Business Finance program (MBF), 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.

Veto by Governor [A-22]: Delete the repeal of the Commerce BEST program, allowing Commerce to continue to make BEST grants from its economic development assistance

programs.

[Act 25 Sections: 217m, 724m, and 9108(4k)]

[Act 25 Vetoed Sections: 217m, 724m, and 2357m]

20. MINORITY BUSINESS FINANCE PROGRAM -- GRANT TO BISHOP'S CREEK REDEVELOPMENT PROJECT

Joint Finance/Legislature: Require Commerce to make a grant of \$375,000 in 2005-06 and 2006-07 from the Minority Business Finance (MBF) program to the Bishop's Creek redevelopment project in Milwaukee In order to award the grant, the Department would be required to enter into an agreement with the project that specified the uses for the grant and reporting and auditing requirements.

Veto by Governor [B-9]: Delete provision.

[Act 25 Vetoed Sections: 154m, 155r, and 9108(8k)]

21. BROWNFIELDS GRANT PROGRAM -- GRANT TO CITY OF MADISON

Joint Finance/Legislature: Require Commerce to make a brownfields grant of \$500,000 in 2005-06 and 2006-07 to the City of Madison for the purpose of establishing a city brownfields revolving loan fund. Authorize the City to use the state grants for: (a) loans or grants to other entities for environmental site assessments, site investigations, remedial action plans and remedial actions; and (b) associated City costs related to administering and implementing the program, involving interested persons in the process, obtaining DNR approval of cleanup activities, and marketing brownfields properties to developers. To be awarded the grant all of the following would have to apply: (a) the City submits a plan to the Department detailing the use of the grant and the Secretary of Commerce approves the plan; (b) the City enters into a written agreement with the Department that specifies the conditions for use of the grant proceeds, including reporting and auditing requirements, and (c) the City agrees in writing to submit to the Department within six months after spending the full amount of the grant, a report detailing how the grant proceeds were used.

[Act 25 Sections: 156i and 9108(3f)]

22. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM -- GRANTS TO WONEWOC AND ITHACA

Joint Finance/Legislature: Require Commerce to make the following grants in 2005-06 from the federal Community Development Block Grant -- Public Facilities program:

a. A grant of \$274,000 to the Village of Wonewoc in Juneau County for a water reservoir.

b. A grant of \$80,000 to the Town of Ithaca in Richland County for a water well.

Within six months of spending the full amount of the grant, each village would be required to submit a report to the Department detailing how the grant proceeds were spent.

Veto by Governor [B-10]: Delete provision.

[Act 25 Vetoed Sections: 9108(5k)&(6k)]

23. GENERAL AWARD AND TAX CREDIT REPAYMENT CRITERIA

Joint Finance/Legislature: Require that Commerce may not award a grant or loan from an economic development program it administers or certify a person to receive tax benefits unless the Department entered into an agreement with the person that required the person to repay the grant, loan, or tax benefits if, within five years after receiving the grant or loan or being certified for tax benefits, the person ceases conducting the economic activity for which the grants, loans or tax benefits were received, and begins such economic activity outside Wisconsin. The provision would first apply to grants, loans or tax benefits for which applications were received after the general effective date of the bill.

[Act 25 Sections: 2348m and 9308(2q)]

24. AWARD ELIGIBILITY FOR ETHANOL PRODUCTION FACILITIES

Joint Finance/Legislature: Require that for an ethanol production facility that begins construction after the effective date of the bill, in order for the facility to be eligible for a grant from Commerce economic development programs a competitive bidding process must be used for construction of the facility.

[Act 25 Sections: 2347p and 2388p]

25. ACROSS-THE- BOARD REDUCTIONS

GPR	- \$296,300
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Senate/Legislature: Reduce the agency's GPR appropriation for general program operations by \$145,900 in 2005-06 and by \$150,400 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for energy costs and debt service payments, in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the

GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements".

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for this agency is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

26. TRANSFER PATH PROGRAM FROM THE DEPARTMENT OF HEALTH AND FAMILY SERVICES (DHFS) TO COMMERCE

	Funding	Positions
GPR	\$122,400	0.00
FED	<u>1,280,000</u>	<u>1.00</u>
Total	\$1,402,400	1.00

Governor/Legislature: Provide \$61,200 GPR, \$640,000 FED and 1.0 FED position annually to reflect the transfer of the PATH (projects for assistance in transition from homelessness) program from DHFS to the Bureau of Housing in Commerce on July 1, 2005. Currently, DHFS receives federal funds for the PATH program that are distributed, in combination with state GPR matching funds, to public, nonprofit agencies to provide mental health services to persons who are in need of such services and who are also homeless. The funds provided to Commerce include the following annual amounts: (a) \$565,600 FED for grants to local agencies; (b) \$74,400 FED and 1.0 FED position to administer the program; and (c) \$61,200 GPR for a portion of the required 25% non-federal match (counties provide the remaining matching funds). [See also the entry under "Health and Family Services -- Community, Disability, and Elder Services."]

[Act 25 Sections: 323, 331, 905 thru 908, 9121(5), and 9421(6)]

27. REAL ESTATE BROKERS' TRUST ACCOUNTS

Governor/Legislature: Require that earnings from interest bearing real estate trust accounts (IBRETA) be paid to the Department of Commerce instead of the Department of Administration currently. Real estate brokers and salespersons are required to deposit down payments, earnest money and similar types of real estate payments in a pooled interest bearing

trust account in a depository institution. Annually, before February 1, each depository institution must remit to DOA (Commerce, under the bill) the total amount of interest or dividends in excess of \$10, less service charges or fees, earned on these accounts during the previous calendar year. Commerce uses the amounts received under the IBRETA program to make grants to organizations that provide shelter or services to homeless individuals or families. Administration of the IBRETA program and several other housing programs was transferred from DOA to Commerce in 2003 Act 33. However, deposit of IBRETA earnings was not transferred from DOA to Commerce at that time. IBRETA earnings totaled \$320,900 for calendar year 2003, were received by DOA in February, 2004, and were transferred to the Commerce appropriation for the program.

[Act 25 Sections: 2338v thru 2345 and 9108(1)]

28. HOUSING GRANTS AND LOANS [LFB Paper 825]

GPR	- \$5,000,000
PR	<u>5,000,000</u>
Total	\$0

Joint Finance/Legislature: Delete \$3,000,000 GPR in 2005-06 and \$2,000,000 GPR in 2006-07 under the Department's housing assistance function for housing cost grants and loans to low- and moderate-income families. Direct the Wisconsin Housing and Economic Development Authority (WHEDA) to transfer \$3,000,000 in 2005-06 and \$2,000,000 in 2006-07 from its unencumbered general reserve fund to Commerce for housing grants and loans. Create a PR-funded biennial appropriation for this purpose, authorize the payment of housing costs grants and loans from the new appropriation account, and provide expenditure authority of \$3,000,000 PR in 2005-06 and \$2,000,000 PR in 2006-07. Repeal the PR appropriation on June 30, 2007. Further, require Commerce to submit a request to the Governor for GPR housing grants funding for the 2007-09 biennium as though \$3,300,300 GPR was provided as base level funding (\$1,300,300 GPR is provided in 2006-07).

[Act 25 Sections: 156n, 156p, 2118k thru 2118n, 9108(3r), 9408(1q), and 9424(1q)]

29. TRANSFER FROM THE PETROLEUM INSPECTION FUND TO THE GENERAL FUND

GPR-REV	\$30,860,600
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Governor/Legislature: Transfer \$10,860,600 in 2005-06 and \$20,000,000 in 2006-07 from the segregated petroleum inspection fund to the general fund.

[Act 25 Section: 9208(1)]

30. PETROLEUM INSPECTION FEE [LFB Paper 214]

SEG-REV	-\$45,900,000
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Joint Finance/Legislature: Decrease the petroleum inspection fee by 1¢, from 3¢ to 2¢ per gallon, effective May 1, 2006. This would decrease revenue to the petroleum inspection fund by

an estimated \$6.4 million in 2005-06 and \$39.5 million in 2006-07.

[Act 25 Sections: 2094f and 9408(1x)]

31. PECFA PROGRAM [LFB Paper 214]

	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
SEG	-\$58,000,000	\$0	-\$58,000,000
BR	-\$49,076,000	\$49,076,000	\$0

Joint Finance/Legislature: Make the following changes in the petroleum environmental cleanup fund award (PECFA) program:

a. Decrease the PECFA awards appropriation by \$27,600,000 SEG in 2005-06 and \$30,400,000 SEG in 2006-07 to provide \$40.4 million in 2005-06 and \$37.6 million in 2006-07 for PECFA claims. This would equal the anticipated level of PECFA claim demand.

b. Delete \$49,076,000 in currently authorized, but unissued, PECFA revenue obligation bonding authority.

c. Direct the Department of Commerce to submit, as part of its 2007-09 biennial budget request, a proposal to phase-out the PECFA program.

Veto by Governor [B-3]: Restore the \$49,076,000 in PECFA revenue obligation authority. Delete the requirement that Commerce submit, as part of its 2007-09 biennial budget request, a proposal to phase out the PECFA program.

[Act 25 Vetoed Sections: 1829p and 9108(1v)]

32. DIESEL TRUCK IDLING REDUCTION UNIT GRANT PROGRAM

	Funding	Positions
SEG	\$1,086,600	1.00

Joint Finance: Provide \$37,700 petroleum inspection fund SEG in 2005-06 and \$1,048,900 SEG in 2006-07 with 1.0 SEG position annually, and create a diesel truck idling reduction unit grant program in Commerce that would provide financial assistance to motor carriers, who transport freight, for voluntarily purchasing and field testing idling reduction units on a portion of the carrier's fleet of diesel trucks. The program would include the following components:

a. Define "idling reduction unit" as a device that is installed on a diesel truck to reduce the long-duration idling of the truck by providing heat, air conditioning, or electricity to the

truck while the truck is stationary and the main drive engine of the truck is not operating.

b. Authorize Commerce to award a grant during the five year period between July 1, 2006, and June 30, 2011, to a common motor carrier (currently defined in s. 194.01 (1)), contract motor carrier (defined in s. 194.01 (2)), or private motor carrier (defined in s. 194.01 (11)) for the purchase and field testing of one or more idling reduction units, subject to eligibility terms and conditions. Sunset the program on December 31, 2012, (18 months after the last grant could be awarded).

c. Create two appropriations from the segregated petroleum inspection fund and provide funding as follows: (1) \$1,000,000 SEG in 2006-07 in an annual appropriation for grants under the program. (No grant funds could be encumbered after June 30, 2011.); and (2) \$37,700 SEG in 2005-06 and \$48,900 SEG in 2006-07 with 1.0 SEG grants specialist position in an annual appropriation for administration of the program.

d. Specify that eligible costs would include the amount that the applicant has incurred or will incur to purchase and install one or more idling reduction units under the program.

e. Ineligible costs would include: (1) the cost of shipping an idling reduction unit, purchased with a grant under the program, from the manufacturer of the unit to the facility where the unit will be installed on the motor carrier's truck tractor as defined in s. 340.01 (73); (2) the cost of operating an idling reduction unit; and (3) the cost of maintaining an idling reduction unit.

f. A grant awarded under the program could equal up to 70% of the eligible costs based on the number of truck tractors with post-1998 diesel truck engines owned and operated by the applicant. Define "post-1998 diesel truck engine" as a heavy-duty highway diesel engine that complies with the air pollutant emission standards promulgated by the U.S. Environmental Protection Agency under 42 U.S.C. s. 7521 for engine model year 1998 or a later model. The maximum number of idling reduction units per applicant which may be funded under the program would be as follows: (1) if the applicant owns and operates one truck tractor with a post-1998 diesel truck engines, the maximum number of funded idling reduction units would be one; (2) if the applicant owns and operates two to 10 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be two; (3) if the applicant owns and operates 11 to 50 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be two or 10% of the portion of the applicant's fleet with eligible engines, whichever is greater; (4) if the applicant owns and operates 51 to 250 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be six or 7% of the portion of the applicant's fleet with eligible engines, whichever is greater; (5) if the applicant owns and operates 251 to 500 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be 18 or 6% of the portion of the applicant's fleet with eligible engines, whichever is greater; (6) if the applicant owns and operates 501 to 2,500 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be 25 or 5% of the

portion of the applicant's fleet with eligible engines, whichever is greater; and (7) if the applicant owns and operates over 2,500 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be 3% of the portion of the applicant's fleet with eligible engines.

g. Specify that an individual applicant may not receive, in any fiscal year, more than 20% of the amount appropriated for grants.

h. Allow Commerce to disburse a grant award over more than one fiscal year, subject to the availability of funds and the annual cap for an individual applicant.

i. Specify that an applicant must be headquartered in Wisconsin.

j. Specify that an applicant must install an idling reduction unit purchased under the program on a truck tractor that: (1) is owned and operated by the applicant; and (2) has a post-1998 diesel truck engine.

k. Require the applicant to pay at least 30% of the eligible costs for each idling reduction unit covered by a grant under the program. Specify that the applicant may not use grants, loans, or other financial assistance from the state or local governments in Wisconsin to pay for the applicant's share of the eligible costs.

l. Require that the use of an idling reduction unit purchased under the program must result, in aggregate, in a decrease in emissions of one or more air contaminants, as defined in s. 285.01 (1), from the truck tractor on which the unit is installed or a decrease in the use of energy by the truck tractor on which the unit is installed.

m. Require that the applicant agree to collect information relating to the operation and performance of each idling reduction unit covered by a grant under the program, as required by Commerce, and to report that information to Commerce.

n. Require that if an applicant is awarded a grant for purchasing more than one idling reduction unit, the units must be from more than one manufacturer and more than one type of units.

o. Require that the applicant must comply with any other grant condition established by the Department.

p. Require that Commerce withhold payment of at least 20% of a grant award until the grant recipient has complied with the conditions of the grant established by the Department, including providing to the Department information relating to the operating and performance of each idling reduction unit covered by the grant.

q. Require Commerce to collect information from grant recipients on the operation and performance of idling reduction units purchased under the program. Require that the Department summarize the information collected on the operation and performance of idling

reduction units and make it available to motor carriers in an accessible and cost-effective manner, such as on the Department's Internet site.

r. Authorize Commerce to promulgate emergency administrative rules to administer the program, without the finding of an emergency.

Assembly/Legislature: Make the following changes: (a) require that Commerce may make a grant of 70% (instead of "up to" 70%) of the eligible costs of the idling reduction unit and that the applicant pay 30% (instead of "at least" 30%) of the eligible costs; (b) clarify that an applicant must own "and" (instead of "or") operate the truck tractor on which an idling reduction unit would be installed; and (c) specifically require Commerce to promulgate emergency and permanent rules to administer the program.

[Act 25 Sections: 156s, 156t, 2348q, and 9108(1w)]

33. TRANSFER CODE CONSULTANT SECTION TO SAFETY AND BUILDINGS DIVISION

Governor/Legislature: Transfer \$557,300 PR and 6.0 PR code consultants annually from the Administrative Services Division to the Safety and Buildings Division. The code consultant positions perform activities related to administrative rule development such as for building, electrical, elevator, plumbing, private sewage system, one- and two-family dwelling, manufactured building and multifamily dwelling codes. In the 2001-03 biennial budget, 6.0 code consultants were moved to the Administrative Services Division. (This included moving 5.5 positions from the Safety and Buildings Division and 0.5 position from the Environmental Regulatory Services Division.)

34. SAFETY AND BUILDINGS DIVISION LICENSES AND REGISTRATIONS

PR-REV	\$782,800
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Governor/Legislature: Double the maximum fee amount that Commerce can establish by administrative rule for most of the licenses and registrations that the Department issues to plumbers, utility contractors, pipelayers, and contractors installing or maintaining automatic fire sprinklers. In addition, double the maximum term for these licenses and registrations from two to four years. Finally, double from two to four years the term of a no-fee license a plumbing supervisor employed by Commerce must hold.

Currently, Commerce may promulgate rules to set the fee for these licenses and registrations, and the fee may not exceed a statutory maximum amount. The types of licenses and registrations, existing statutory maximum fee and statutory maximum fee under the bill are shown in the following table. Currently, all of the licenses and registrations listed in the table are assessed the statutory maximum fee under administrative rule Comm 5 (except for temporary permits).

Commerce anticipates that administrative rule changes with the revised fee amounts and four-year terms would be effective in approximately August 1, 2006. The Department projects a two-year increase in revenue of \$782,800 in 2006-07 and \$729,700 in 2007-08, then a two-year decrease in revenue of \$601,200 in 2008-09 and \$654,300 in 2009-10. Revenue would increase in the first two years because of the doubling of the fee. Revenue would decrease in the third and fourth years of implementation because the change in term would result in renewals of the four-year license in the fifth year of implementation instead of current renewals of two year licenses in year three.

Licenses and Registrations -- Current and AB 100

<u>License or Registration Type</u>	<u>Current Statutory Maximum Fee (2-year term)</u>	<u>Maximum Fee Under the Bill (4-year term)</u>
Master plumber's license - new or renewal.	\$250	\$500
Journeyman plumber's license – new or renewal.	90	180
Temporary permit pending examination and issuance of license for master plumber, (also covers the examination and initial license fee).	400*	400*
Temporary permit pending examination and issuance of license for journeyman plumber (also covers the examination and initial license fee).	150*	150*
Master plumber's license (restricted) new and renewal.	250	500
Journeyman plumber's license (restricted) - new and renewal.	90	180
Plumbing supervisor employed by Commerce (for a license for which the person had previously qualified).	No fee	No fee
Automatic fire sprinkler contractor's license – new and renewal.	\$1,000	\$2,000
Automatic fire sprinkler – maintenance only registration – new and renewal.	200	400
Journeyman automatic fire sprinkler fitter's license – new and renewal.	90	180
Automatic fire sprinkler fitter – maintenance only registration certificate – new and renewal.	30	60
Utility contractor's license – new and renewal.	250	500
Pipelayer's registration – new and renewal.	90	180

*The maximum fee amount does not change under the bill, but it is listed because the term for which it applies would increase from two to four years.

[Act 25 Sections: 2014 thru 2026]

35. EDUCATION ABOUT HOME BUILDING PROCESS

PR	\$1,350,000
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Joint Finance/Legislature: Provide \$650,000 PR in 2005-06 and \$700,000 PR in 2006-07 in the Safety and Buildings program revenue operations appropriation and direct Commerce to use it as follows: (a) require Commerce to allocate at least \$600,000 annually from the appropriation to a contract with a private organization for education of consumers about the home building process, including selection of a contractor, the construction process, and consumer protection; and (b) require Commerce to allocate \$100,000 annually from the appropriation to contract with a private organization to provide education for builders on business practices, in addition to currently-required construction standards and inspection requirements. Specify that Commerce may only contract with an organization that is described in section 501 (c)(6) of the Internal Revenue Code and is exempt from federal income tax under section 501 (a) of the Internal Revenue Code. These contracts would be in addition to the current contract required with a private organization to provide education regarding construction standards and inspection requirements to builders of dwellings in the state. (Current law does not specify a contract amount for the existing contract but Commerce has provided an average of \$50,000 per year from 1999-00 through 2004-05.)

[Act 25 Sections: 1830e thru 1830m]

36. FIRE DUES DISTRIBUTION [LFB Paper 215]

PR	\$10,600,000
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Joint Finance/Legislature: In order to reflect anticipated revenues, reestimate the appropriation for fire dues distribution to local fire departments from \$8,600,000 to \$13,700,000 in 2005-06 (an increase of \$5,100,000) and \$14,100,000 in 2006-07 (an increase of \$5,500,000).