

COMMERCE

Budget Summary						FTE Position Summary				
Fund	2006-07 Adjusted Base	Request		2007-09 Change Over Base Year Doubled		2006-07	Request		2008-09 Over 2006-07	
		2007-08	2008-09	Amount	%		2007-08	2008-09	Number	%
GPR	\$22,544,300	\$24,717,000	\$24,717,000	\$4,345,400	9.6%	61.80	61.80	61.80	0.00	0.0%
FED	74,630,800	74,174,600	74,143,400	- 943,600	- 0.6	54.35	45.35	45.35	- 9.00	- 16.6
PR	53,002,400	51,983,000	51,983,000	- 2,038,800	- 1.9	208.70	208.70	208.70	0.00	0.0
SEG	<u>53,648,500</u>	<u>54,258,100</u>	<u>54,258,100</u>	<u>1,219,200</u>	1.1	<u>72.80</u>	<u>72.80</u>	<u>72.80</u>	<u>0.00</u>	0.0
TOTAL	\$203,826,000	\$205,132,700	\$205,101,500	\$2,582,200	0.6%	397.65	388.65	388.65	- 9.00	- 2.3%

Major Request Items

1. STANDARD BUDGET ADJUSTMENTS

Request adjustments to the base budget for: (a) turnover reduction (-\$244,400 PR annually); (b) removal of noncontinuing items (-\$253,700 FED in 2007-08 and -\$284,900 FED in 2008-09); (c) full funding of salaries and fringe benefits (\$172,700 GPR, \$518,500 FED, \$1,210,200 PR; and \$609,600 SEG annually); (d) reclassifications (\$6,800 PR annually); (e) overtime (\$8,000 PR annually); and (f) minor transfers within the same appropriation.

GPR	\$345,400
FED	498,400
PR	1,961,200
SEG	<u>1,219,200</u>
Total	<u>\$4,024,200</u>

2. WISCON PROGRAM TRANSFER

Delete \$721,000 FED and 9.0 FED positions annually from Commerce to reflect the transfer of the WISCon program to the University of Wisconsin System, State Laboratory of Hygiene. Program responsibility was transferred by the administration effective October 1, 2006.

	Funding	Positions
FED	- \$1,442,000	- 9.00

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.

3. RESTRUCTURE THE WISCONSIN DEVELOPMENT FUND

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 \$7,098,400 GPR and \$4,050,000 PR 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 businesses 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.

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.

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.

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 technology 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.

Under current law, the WDF provides financial assistance through the following programs: (a) technology development and technology commercialization grants and loans; (b) customized labor training grants and loans; (c) major economic development grants and loans; (d) urban early planning grants; (e) entrepreneurial training grants; (f) Wisconsin trade project; (g) employee ownership assistance grants; (h) revolving loan fund capitalization grants; and (i) the rapid response fund. Commerce also makes business employee skills training (BEST) grants through the WDF. In awarding grants, the Development Finance Board considers general criteria related to economic development and targeting awards to distressed areas. However, each program has specific requirements for eligible recipients, eligible projects and activities, and non-state matching funding. Commerce currently charges a 2% grant and loan origination fee on customized labor training and major economic development grants and loans in excess of \$200,000.

4. HOUSING GRANTS AND LOANS

GPR	\$4,000,000
PR	- 4,000,000
Total	\$0

Request \$2,000,000 GPR annually, as required under 2005 Act 25, to restore GPR base level funding to \$3,300,300 annually for the Department's housing assistance grants and loans program for low- and moderate-income families. Request a decrease of \$2,000,000 PR annually to remove one-time funding that was provided in the 2005-07 biennium under 2005 Act 25. Funding of \$1,300,300 GPR and \$2,000,000 PR is provided in 2006-07. Under 2005 Act 25, the Wisconsin Housing and Economic Development Authority (WHEDA) was directed 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, a new PR-funded biennial appropriation was created in Commerce on a one-time basis during the 2005-07 biennium to expend the funds received from WHEDA for housing grants and loans, and the PR appropriation is repealed on June 30, 2007. In addition, 2005 Act 25 directed Commerce to submit its 2007-09 biennial budget request to the Governor as though \$3,300,300 GPR was provided for base level funding.

5. PECFA PAYMENTS FOR ABANDONED TANK REMOVAL

Request authorization to use the petroleum environmental cleanup fund award (PECFA) appropriation to pay for the removal of certain abandoned petroleum storage tanks. The PECFA program reimburses owners and operators for a portion of the cleanup costs of discharges from petroleum product storage tank systems and home heating oil tank systems. An abandoned tank is a tank regulated by Commerce that is not in use and has not been properly closed.

Under the request, up to \$250,000 annually from the PECFA awards appropriation would be set aside for payment of costs for removal of certain abandoned tanks. Any portion of the \$250,000 set aside that would not be used to pay for removal of abandoned tanks would be available for currently authorized PECFA payments. The request would authorize Commerce to pay a certified tank removal contractor for the costs of emptying, cleaning and disposing of a

tank, and other costs normally associated with closing or removing any petroleum product storage system or home oil tank system, such as initial closure assessment, only if: (a) the Department finds that tank is abandoned; (b) the Department determines that the tank poses a threat to the environment; and (c) the owner or responsible party can not be determined, or the owner is unable or unwilling to pay to remove the tank.

Commerce estimates the average cost of removing a tank would be approximately \$2,500 to \$3,000, and that approximately 75 to 100 tanks could be removed annually under the provision. Commerce estimates that less than 10% (740) of the over 7,400 abandoned tanks on the Department's database may qualify for payments under the provision.

Commerce would determine whether the owner is unable to pay to remove the tank by using the same criteria it currently uses to determine whether the deductible will be waived in financial hardship situations. When the Department would pay for removal of the tank, Commerce would record a lien on the property with the register of deeds, and the property would remain subject to the lien until the amount is paid in full.

PECFA awards are paid from a portion of the 2¢ per gallon petroleum inspection fee that is deposited in the segregated petroleum inspection fund. In 2005-06, \$21,311,100 was expended for PECFA awards.

6. PECFA ALTERNATIVE REIMBURSEMENT METHOD

Request authorization to create an alternative reimbursement method of paying for cleanup expenses under the PECFA program. Currently, the PECFA program reimburses owners or operators (claimants) for cleanup expenses after the owner or operator has paid for the cleanup costs. Under the request, Commerce would be authorized to contract with, and directly pay, a contractor or consultant for site investigation and cleanup activities if: (a) the claimant is unable to obtain conventional bank financing to pay for cleanup activities; (b) the claimant chooses to have the Department make direct payments to a contractor or consultant; or (c) Commerce determines that it will make direct payments for a specific site. Commerce would be authorized to promulgate administrative rules to implement the provision.

10% Budget Reduction Plan

		<u>Amount of Reduction</u>	
		<u>2007-08</u>	<u>2008-09</u>
General Purpose Revenue (GPR)			
1.	Program Reductions. Delete \$32,200 annually with 0.5 grant specialist in the Bureau of Housing by restructuring the Division of Housing and Community Development operations.	\$32,200	\$32,200

	<u>Amount of Reduction</u>	
	<u>2007-08</u>	<u>2008-09</u>
2. Administrative Reductions. Delete: (a) \$57,500 annually by streamlining operations in executive and administrative services; and (b) \$58,000 annually by streamlining support operations in economic and community development.	\$115,500	\$115,500
	_____	_____
Total GPR	\$147,700	\$147,700
 Program Revenue (PR)		
1. Administrative Reductions. Delete: (a) \$140,000 annually by reducing gifts, grants and proceeds funded services in economic and community development; and, (b) \$200,000 annually by streamlining support operations in the Division of Safety & Buildings.	\$340,000	\$340,000
2. Reduce Contract Operations. Delete \$700,000 annually and the statutory requirement that Commerce spend: (a) at least \$600,000 annually for a contract with a private organization for education of consumers about the home building process; and (b) \$100,000 annually for a contract with a private organization to provide education for home builders on business practices.	\$700,000	\$700,000
	_____	_____
Total PR	\$1,040,000	\$1,040,000
 Segregated Revenue (SEG)		
1. Program Reductions. Delete \$36,000 annually with 0.5 PECFA claim reviewer position from the petroleum inspection fund (PIF) by restructuring Division of Environmental and Regulatory Services operations.	\$36,000	\$36,000
2. Administrative Reductions. Delete \$35,000 annually from the PIF by streamlining support operations in the Division of Environmental and Regulatory Services.	\$35,000	\$35,000
3. Reduce Contract Operations. Delete \$19,000 annually from the PIF to reduce payments to local program operators under contract to inspect petroleum storage tanks.	\$19,000	\$19,000
	_____	_____
Total SEG	\$90,000	\$90,000