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**Date:** Tuesday, Oct. 24, 2023

**To:** Chair Petryk, Vice-Chair Michalski, and Members of the Assembly Committee on Workforce Development and Economic Opportunities

**From:** Department of Workforce Development Secretary Amy Pechacek

**Written Testimony Regarding AB 550**

Chair Petryk, Vice-Chair Michalski, and committee members, thank you for the opportunity to provide written testimony for information only on AB 550, which proposes several changes to the Department of Workforce Development (DWD)'s Wisconsin Fast Forward Advanced Manufacturing Technical Education Equipment Grant program and requires DWD to promulgate rules to make the proposed adjustments. The intent of this bill is to further bolster Wisconsin's manufacturing workforce by sparking high school students' interest in the industry and strengthening the pipeline of homegrown talent, particularly in smaller, rural areas of the state. This objective reflects a priority of this administration and aligns with DWD's mission.

However, the proposed legislation would likely further disadvantage smaller, rural school districts due to the following issues. The bill:

- Fails to adequately address the biggest barrier to these districts, which is the match component;
- Increases the maximum grant amount without increasing the overall appropriation, resulting in fewer grantees; and
- Expands potential expenses outside the grant's statement of purpose, increasing overall competition among applicants, while further favoring school districts with more funding and more access to private funding.

October is Manufacturing Month. DWD is proud to highlight this industry, which employs more than 480,000 state residents, generates \$66 billion in economic output, and accounts for nearly 19% of the state's domestic product.

Thanks to the strength of the state's manufacturers, construction industry, and many other sectors, Wisconsin's economy has been on a winning streak. The latest numbers show a record high number of jobs, historically low unemployment, and seasonal, historic lows for initial weekly and continuing unemployment insurance claims. Meanwhile, the state's labor force participation rate has increased to 65.8%, a full 3 percentage points above the national rate.

Wisconsin's nationally acclaimed Registered Apprenticeship and Youth Apprenticeship programs factor into this success and offer an important pathway to careers in manufacturing. In 2022, Wisconsin Registered Apprenticeship reached a record level of participation with more than 15,900 participating apprentices. Wisconsin's Youth Apprenticeship program also reached a record with more than 8,300 youth apprentices, including more than 1,500 students working in manufacturing.

These numbers are incredibly positive for Wisconsin manufacturing and other industries, yet we know many employers are feeling anxious about their ability to fill jobs. The reality is Wisconsin is facing a labor market quantity challenge driven by demographic trends that have been building for decades. Baby Boomers are aging and retiring, birth rates have declined, and there has been net zero to negative in-migration to Wisconsin over most of the last decade. DWD has taken a proactive approach to these challenges across

industries by working to remove employment barriers, providing training opportunities, and connecting employers with underutilized talent pools.

This approach has been accelerated by the historic leadership of Gov. Tony Evers, who made an unprecedented investment in people, jobs, and the well-being of our communities through the \$158 million Workforce Solutions Initiative in addition to DWD's existing programming.

DWD's Technical Education Equipment Grant program is an existing program available to assist Wisconsin school districts with career and technical education programs. The grants support the purchase and installation of advanced manufacturing equipment as well as training for high school students. The grants also accelerate the transition of students into the workforce by preparing them for stable careers. Additionally, the grants help students and their families reduce higher education costs by providing dual enrollment credits, industry-endorsed certificates, and technical endorsements on high school diplomas.

DWD favors improving the Technical Education Equipment Grant program to increase access to advanced manufacturing job opportunities and address the industry's worker quantity challenge. However, a close review of AB 550 raises concerns that merit additional consideration. These concerns fall into four primary areas:

- I. The bill does not adequately address the high match requirement for school districts. The match requirement prevents many smaller, rural school districts from applying for Technical Education Equipment Grants.
  - a. AB 550 reduces the match requirement for school districts from 200% to 100%, but only if school districts partner with a private entity. DWD staff have noted that it is challenging for smaller, rural school districts to obtain private sector partnerships compared to larger, urban school districts.
  - b. DWD staff also have noted that even if smaller, rural school districts can obtain a private sector partner, lowering the match to 100% may still not provide a financially feasible path for many of these districts.
  - c. The department appreciates the proposal's attempt to address this barrier and is interested in exploring additional mechanisms to reduce the match requirement for smaller, rural school districts.
- II. The bill increases the maximum grant award per grantee, thus potentially decreasing the number of school districts that will benefit from the program.
  - a. AB 550 increases the maximum grant award amount from \$50,000 to \$100,000 while the overall appropriation remains the same.
    - i. DWD has not received feedback from districts requesting larger awards. In fact, the department estimates that the average grant award in SFY 2022 was \$24,000, and the award amounts vary depending on the districts' needs and available funding.
- III. AB 550 expands the categories of potential expenses under the grant to include higher cost projects that will likely increase competition, further decrease the number of grantees, and further prioritize wealthier, larger school districts.
  - a. This bill allows Technical Education Equipment Grant funding to be used for the enhancement or improvement of a technical education facility and for the acquisition of equipment that is used in construction fields in the workplace.
    - i. DWD recognizes the funding need for technical education facilities. This need was previously identified during the application processes for Governor Evers' Workforce Solutions Initiative.
    - ii. However, the department is concerned that this expansion, especially without an increase in funding, does not fall within the scope of this grant program, and therefore, will result in unmet equipment needs in schools.
    - iii. DWD is interested in exploring other opportunities to provide schools the funding they need to enhance or improve their technical education facilities.
  - b. Due to the increased maximum grant award amount and the inclusion of more costly projects such as facility upgrades under the grant, DWD predicts that school districts with access to more funding will propose more expensive projects, increasing overall competition and resulting in fewer smaller, rural school districts receiving grants.

- IV. The bill would require DWD to award one-third of grant funding to school districts or consortia that are eligible for sparsity aid. The sparsity aid program, administered by the state Department of Public Instruction under s. 115.436, provides additional unrestricted aid to rural school districts with relatively small economies of scale.
- a. DWD currently awards an estimated 24% of the program's grant funding to school districts eligible for sparsity aid. Thus, the new one-third funding goal likely would be achievable given the increased potential to form consortia under the proposal. However, as noted above, other aspects of the proposed legislation hold the potential to diminish the ability of small rural school districts to participate in the program and raise concerns about meeting the one-third requirement for small district grants under AB 550.

DWD is in favor of one of the provisions included in AB 550: allowing consortia or groups of school districts to apply for a Technical Education Equipment Grant together. While this is possible under the current program, the proposed legislation will streamline the administrative process for a consortia's application. DWD has seen success in the past when school districts combine resources and apply for a grant together.

DWD remains available to discuss opportunities to improve the Technical Education Equipment Grant program, and to address the evolving needs of Wisconsin's manufacturing workforce more broadly. Thank you for the opportunity to provide this information.

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