



**MEP • MANUFACTURING  
EXTENSION PARTNERSHIP**

NATIONAL INSTITUTE OF  
STANDARDS AND TECHNOLOGY

# Report to MEP Advisory Board

Update on GAO Report “Subject: Factors for Evaluating the Cost Share of Manufacturing Extension Partnership Program to Assist Small and Medium Sized Manufacturers” (April 4, 2011)

June 24, 2013  
Denver, Colorado

# Cost-Share History

1988

- Congress authorized MEP as a cost shared program between the federal government and non federal sources
- Federal share limited to 50 percent for years 1-3, reduced share for years 4-6, "sunset" provision after year 6

1990

- MEP regulations limit federal cost share to 40 percent in year 4 and 33.33 percent in years 5 and 6

1998

- Congress eliminated the "sunset" provision and established a limit on the federal cost share of 33.33 percent

2010

- Congress requests a report on cost share from the GAO

# America COMPETES Reauthorization of 2010

**The Comptroller General (GAO) shall submit to Congress a report on the cost share requirements under the program.**

The report shall—

- “(A) discuss various cost share structures, including the cost share structure in place prior to such date of enactment, and the effect of such cost share structures on individual Centers and the overall program; and
- (B) include recommendations for how best to structure the cost share requirement to provide for the long-term sustainability of the program.
- (C) If consistent with the recommendations in the report transmitted to Congress, the Secretary shall alter the cost structure requirements provided that the modification does not increase the cost share structure in place before the date of enactment of the America COMPETES Reauthorization Act of 2010, or allow the Secretary to provide a Center more than 50 percent of the costs incurred by that Center.”

## GAO Report

*“Factors for Evaluating the Cost Share of Manufacturing Extension Partnership Program to Assist Small and Medium-Sized Manufacturers”*

<http://www.gao.gov/new.items/d11437r.pdf>

GAO’s Research included:

- NIST MEP programmatic and investment data
- A survey of MEP centers
- Review of legislation and regulations related to the MEP program

## MEP Center Reported Positive Effects of the Cost Share Requirement

- Centers are encouraged to leverage resources and improve partnerships with other organizations
- Centers avoid duplication
- The need to collect client fees gives manufacturers a stake in the program
- Centers emphasize services that are relevant to manufacturers

# MEP Center Reported Negative Effects of the Cost Share Requirement

- MEP centers are spending more time and effort seeking funds
- MEP centers are seeking projects outside their mission
- MEP centers report shifting their focus to larger clients who can pay higher fees
- MEP centers report focusing more on multiple projects with repeat clients
- MEP centers report focusing less on rural clients

## GAO Report - Recommendations

The final report does not provide any recommendations for the MEP cost share structure.

*“One limitation of note is that because of the limited time the legislation provided for this review, we did not undertake a comprehensive assessment of the MEP program or cost share structures. In addition, we did not evaluate Commerce’s authority to alter the cost share structure.”*

*“We are unable to provide recommendations on how best to structure the cost share requirement to provide for the long-term sustainability of the program because we could not identify criteria or another basis for determining the optimal cost share structure for this program. Instead we have identified a number of factors that could be taken into account in considering modifications to the current cost share structure.”*

Without recommendations, it is unclear what action the Secretary of Commerce could take to adjust the MEP cost share structure.

# GAO Report – Principles to Consider When Setting Cost Share

- All approaches involve trade-offs.

*There could be trade-offs between lowering the cost share requirement and the total amount of funding available to help manufacturers. Specifically, reducing the requirements for nonfederal cost share could result in less resources being available to MEP centers...because MEP centers could have less incentive to secure nonfederal funds beyond those required to meet the reduced cost share*

- It is important to identify the beneficiary and allocate costs accordingly.

*...cost share structures should promote equity by assigning costs to those who both use and benefit from the services...Irrespective of who benefits, it can be difficult to quantify the relative levels of benefits each entity may receive*

# GAO Report- Factors Specific to the MEP Program

The GAO identified a number of factors specific to the MEP program that could be useful in making decisions about the future of the program:

- Many MEP centers, a NIST study, and a number of legislative proposals support lowering the current nonfederal cost share
- Some MEP centers and a NIST study support providing more flexibility on how centers meet the nonfederal cost share
- MEP centers differed on the role of in-kind contributions
- Questions exist as to the need for the MEP program.

# Congressional Response to the GAO Report

Subsequent to the GAO report issuance, Congress, in the “Report on Commerce, Justice, Science and Related Agencies Appropriations Bill, 2012” (Report 112-169, July 20, 2011) accompanying HR 2596, directed “the Secretary of Commerce to use the key factors and other findings identified by GAO in its cost-share report to draft criteria for establishing specific cost shares for the MEP program.”

- Revised deadline was June 7, 2013
- MEP has prepared a draft report responding to the Congressional directive – the report is currently under review by the Department of Commerce, and will be transmitted to the Advisory Board when it is submitted to the Congress

## Request from NIST Director Patrick Gallagher to the MEP Advisory Board

- That the MEP Advisory Board provide recommendations for establishing specific cost shares for the MEP program
- The Advisory Board is encouraged to review the GAO Report, the NIST/MEP report, and any other information it may deem appropriate in considering its recommendations, including findings and recommendations made by other organizations
- The Advisory Board may request specific analyses and data from MEP staff, and may seek input from MEP stakeholders
- The Advisory Board is requested to complete its review and provide recommendations to the NIST Director by September 30, 2013