Congress of the United States

Washington, D.C. 20515

December 17, 2003

Joshua B. Bolten
Director, Office of Management and Budget
Old Executive Office Building
17th and Pennsylvania Avenue, NW
Washington, DC 20503

Dear Director Bolten:

We are writing to express our strong support for the Manufacturing Extension Partnership Program ("MEP"). We urge you to support a funding level of $110 million in the President's Fiscal Year ("FY") 2005 budget request. The MEP program is one of the most successful federal/state partnerships in government. We hope that the Administration will provide the program with the funding support it deserves to help keep small manufacturers productive and competitive.

For FY 2004, the Senate Appropriations Committee provided $106.9 million for the MEP. Unfortunately, the Omnibus Appropriations Conference Report cut funding to $39.6 million. In the short term – less than one year – most Centers will attempt to keep operating in the hope that federal funding will be restored in the FY 2005 budget. But to keep operating, the Centers will need to downsize drastically. The Modernization Forum estimates the reduction in funding will result in the MEP Centers serving 11,275 fewer U.S. manufacturers and increasing fees for services. The Forum anticipates that smaller manufacturers will lose $1.8 billion in sales and $446 million in cost savings, reduce investment in modernization by $649 million, and lay-off 28,000 workers because of the MEP funding cut. In the longer term, if federal funding is not restored, many Centers will cease operations. These reductions will have real and significant impacts on our economy. Manufacturing was a significant contribution to the economy's growth in the 1990s, and small manufacturers are the engines that increase productivity and job growth. These manufacturers employ more than 11 million Americans and account for approximately 55 percent of the value of all manufactured goods in the American economy. The MEP program helps small and mid-sized American manufacturers modernize to compete in the demanding global marketplace, maintain jobs in America, and continue driving a higher standard of living in the U.S.

The MEP is an extremely successful program. MEP clients experience productivity gains more than four times greater than comparable firms that did not receive MEP assistance. This is significant because productivity growth is closely correlated with earnings and standard of living. Wages, profits, and our standard of living rise as the same worker produces more output in the same amount of time. MEP clients are increasing sales, hiring workers, and investing in plant modernization. In FY 2002, MEP clients reported sales of $2.7 billion, nearly 42,500 new or retained workers, $669 million in cost savings, and $973 million invested in new plant and equipment as a direct result of their MEP projects.

Higher productivity also provides our competitive advantage as we compete with low wage countries such as China. In the 1990's, we lost an estimated 760,000 jobs as U.S. production moved to China, often to manufacture products for sale in the United States. Half of the products we now import from China are from high-tech, high-skilled industries. MEP services help our small manufacturers maintain good jobs and advanced production capacity in our country.

MEP started as a bipartisan Congressional initiative in 1988 and received strong support from each Congress as well as from Presidents Reagan, Bush, and Clinton over the last decade. We respectfully ask that you include $110 million for the MEP program in the President's FY 2005 Budget.

Sincerely,

Jack Quinn

David Scott

Frank Pallone, Jr.

Ted Strickland