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Representative Jensen

COMMERCE

Venture Capital Grant Program [Paper #247]

Motion:

Move to create a new CBED program under which the Department could make a grant to a community-based organization or private nonprofit organization for a venture capital development conference that would assist entrepreneurs or businesses in the state in obtaining capital for the start-up or development of a business. A 50% minimum match would be required and total grants could not exceed $75,000 in any fiscal year.

MO# 2011

1 JENSEN	~~Y~~	N	A
OURADA	~~Y~~	N	A
HARSDORF	~~Y~~	N	A
ALBERS	~~Y~~	N	A
GARD	~~Y~~	N	A
2 KAUFERT	~~Y~~	N	A
LINTON	~~Y~~	N	A
COGGS	~~Y~~	N	A
BURKE	~~Y~~	N	A
DECKER	~~Y~~	N	A
GEORGE	Y	N	~~A~~
JAUCH	~~Y~~	N	A
WINEKE	~~Y~~	N	A
SHIBILSKI	~~Y~~	N	A
COWLES	Y	~~N~~	A
PANZER	~~Y~~	N	A

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Motion #2011

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work to offset the reduction in funding by leveraging more private funding for projects. As an alternative, the Committee may wish to reduce funding for the CBED program by these amounts.

2. The Department notes that the reduced funding will result in less funding for CBED projects and, as a result, reduce the number of jobs that could be created or retained. Those that support this position would point to the fact that the program has fully awarded available funding.

ALTERNATIVES TO BILL

- see motion 2011

A. Venture Capital Grant Program

1. Approve the Governor's recommendation to create a new CBED program under which the Department could make a grant to a community-based organization or private nonprofit organization for a venture capital development project that would assist entrepreneurs or businesses in the state in obtaining capital for the start-up or development of a business. A 50% minimum match would be required and total grants could not exceed $75,000 in any fiscal year.

2. Maintain current law.

B. CBED Funding Level

1. Approve the Governor's recommendation to decrease the appropriation for community-based economic development programs by $20,000 annually.

2. Modify the Governor's recommendation to delete an additional $50,000 GPR in 1997-98 and $35,000 GPR in 1998-99 from the CBED appropriation.

Alternative B2	GPR
1997-99 FUNDING (Change to Bill)	- $85,000

MO# Alt #B2

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 0 ABS 1

Prepared by: Ron Shanovich

see motion #2011

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Minority Business Development Finance Program Modifications (Commerce)

[LFB Summary: Page 132, #26]

CURRENT LAW

The Minority Business Development Finance (MBDF) program consists of minority business development grants, which are awarded by Commerce, and minority business development grants and loans (micro-loans), which are awarded by the Minority Business Development Board. The MBDF is funded through both a GPR appropriation and a program revenue repayments appropriation. Loan repayments are placed in the program revenue repayments appropriation and used to fund MBDF program activities. Base level funding for the program is $429,200 GPR and $202,300 PR.

GOVERNOR

Modify the MBDF program as follows:

a. Increase expenditure authority for the MBDF repayments appropriation by $291,100 PR in 1997-98 and decrease expenditure authority by $35,100 PR in 1998-99. Total expenditure authority would be $493,400 PR in 1997-98 and $167,200 PR in 1998-99. Consequently, total funding available for MBDF awards (including base level GPR funding of $429,200 annually) would be $922,600 in 1997-98 and $596,400 in 1998-99.

b. Increase, from 10% to 25%, the maximum amount of total MBDF funding that could be awarded as minority business early planning grants.

c. Authorize the Minority Business Development Board to award business development grants or loans to a local development corporation to create, expand or continue a revolving fund program that would be operated by the local development corporation and that would benefit, currently or in the future, minority businesses or minority group members who are residents of the state. To receive a grant or loan to fund a revolving fund project, the local development corporation would be required to provide a cash contribution of at least 50% of the cost of the project. The maximum amount of MBDF business development grants or loans that could be made to a local development corporation for a revolving fund would be $200,000.

d. Repeal statutory provisions which establish minority business, nonprofit corporation and business incubator grants. The statutes provide that grants cannot be made from these programs after June 30, 1995.

DISCUSSION POINTS

1. The MBDF consists of minority business early planning grants which are awarded by Commerce, and minority business development grants and loans, which are awarded by the Minority Business Development Board. Similar to the Wisconsin Development Fund (WDF) and the Business Development Initiative and Rural Economic Development programs, the MBDF is funded through both a GPR appropriation and a program revenue repayments appropriation. The GPR appropriation is the primary source of funding for the MBDF. The appropriation is biennial and, consequently, funds that are not encumbered at the end of the biennium lapse to the general fund. Loan repayments are placed in the program revenue repayments appropriation and used to fund MBDF grants and loans.

2. MBDF early planning grants fund projects that consist of the preliminary stages of considering and planning the start-up or expansion of a business that will be a minority business. Eligible applicants are individuals who are both minority group members and state residents. Commerce may not award more than $15,000 in a biennium to any one person or for any one project. The total amount of MBDF funds that can be awarded for early planning grants are limited to 10% of the amount appropriated for the biennium. Grant recipients may use the funds to perform business feasibility studies and prepare marketing and business plans.

Minority business development grants and loans fund development projects undertaken by minority businesses and provide funding to local development corporations that agree to use the proceeds to make grants or loans to resident minority group members. Grant recipients may use the funds for working capital, machinery, equipment, land and buildings, to acquire existing businesses and for related expenses. The maximum award is currently $100,000 for any one person or project in a biennium. Under SB 77 the maximum award would be decreased to $50,000.

3. As noted, the MBDF program is funded through both a biennial GPR appropriation and a program revenue repayments appropriation. The total amount of GPR appropriated for the program for the current biennium is $479,200 for 1995-96 and $429,200 for 1996-97. Total expenditure authority for the repayments appropriation is $190,000 for 1995-96 and $202,300 for 1996-97. In addition, annual amounts of $100,000 were transferred from the WDF repayments appropriation and placed in a separate program revenue appropriation to provide funding for the MBDF. Consequently, total funding available for the MBDF is $769,200 in 1995-96 and $731,500 in 1996-97.

4. Through March 31, 1997, the total amount of MBDF awards was $488,500. Total expenditure authority from all sources of funding remaining for the MBDF for the 1995-97 biennium is over $1 million. Table 1 shows the May 1, 1997, net remaining expenditure authority for the MBDF for current biennium.

TABLE 1

MBDF Remaining Expenditure Authority
1995-97

	1995-96	1996-97	Biennial Total
GPR	$479,200	$429,200	$908,400
Awards 3/31/97			-488,500
			$419,900
PR Repayments	$190,000	$202,300	392,300
PR WDF Transfer	100,000	100,000	200,000
Total Available 4/1/97			$1,012,200

5. Commerce indicates that there are applications for micro-loans totalling $830,000. These applications are for projects which appear to meet qualification criteria. In addition, the Department can award $44,600 more in early planning grants. However, even when these amounts are netted against the remaining 1995-97 total expenditure authority, $137,600 would remain unused at the end of the biennium. To the extent current applications are not approved, or are approved at a reduced level, additional funds would be available.

6. In the 1993-95 biennium, $679,200 GPR was appropriated for the MBDF each year. In addition, expenditure authority of $145,800 PR in 1993-94 and $175,800 PR in 1994-95 was provided for the repayments appropriation. However, a total of $95,485 GPR lapsed and there was $90,000 PR in unused expenditure authority from the repayments appropriation.

7. Because total MBDF expenditure authority will exceed awards made in both the 1993-95 and 1995-97 biennia, some would argue that total program funding could be reduced. The average total amount of MBDF awards for the 1993-95 and 1995-97 biennia will be approximately $1.3 million. (This assumes that the entire amount of early planning grant authority is used and two-thirds of pending applications for grants and loans receive funding.) Total expenditure authority (including GPR and PR repayments) provided for the MBDF under SB 77 would be $1,519,000. Consequently, the Committee may wish to reduce GPR funding for the MBDF by $219,000 GPR or $109,500 GPR annually. This would still provide for the average amount of grants and loans made over the past two biennia. Moreover, it would require Commerce to use more of the PR repayments and less GPR to fund the program. The repayment appropriations were established to operate similar to revolving loan funds so that, over time, the amounts received from loan repayments could be used to finance additional loans and reduce the need for GPR funding. Also, 1993-95 total awards used to calculate the average include $400,000 in legislative set-asides for the north and south Milwaukee Enterprise Centers and 1996-97 projected expenditures include pending applications. As a result, it could be further argued that the average used to determine the amount of funding provided would allow for some program expansion.

8. In its budget reduction measures provided to the Governor as part of its 1997-99 budget submission, the Department proposed that the MBDF, GPR appropriation be reduced by $50,000 annually. Commerce indicated that this would reduce the amount of funds available for projects but the Department would work to offset the reduced funding by leveraging more private funding for projects. As another alternative the Committee may wish to adopt the proposed MBDF reductions. The Department noted that the new subprogram that would provide up to $200,000 to local development corporations to establish revolving loan funds would increase the Department's ability to leverage private money.

9. Senate Bill 77 includes provisions which could be viewed as stimulating increased demand for MBDF grants and loans. The bill includes a provision which would increase the amount of total MBDF funding that could be used to provide early planning grants from 10% to 25%. Historically, the Department has had significant demand for these grants. During the previous and current biennia the Department will essentially award the maximum amount of early planning grants permitted under the current law provisions. In addition, the program for grants and loans to local development corporations to establish revolving loan funds could increase demand for funds by up to $200,000 a year.

10. Between 1989 and 1995, a total of $1.2 million was provided through the MBDF program to various minority nonprofit organizations and business incubators in the Milwaukee area. However, this funding was provided through specific legislative provisions. These types of organizations are not generally eligible for grants and loans through the MBDF. Some argue that these organizations are a primary source of capital and support for minority businesses and should be eligible for MBDF grants and loans. Currently, there are statutory provisions which authorize grants to minority nonprofit organizations and minority business incubators. However,

the provisions specify geographic boundaries for the eligible organizations and the programs sunset on June 30, 1995. As an alternative, the Committee could modify the current provisions to apply generally to nonprofit corporations and minority business incubators. Based on the sunset program, the Appendix provides a description of a grant program which could apply to minority nonprofit corporation and minority business incubator grants.

11. The Community-Based Economic Development (CBED) program provides grants of up to $25,000 to community-based organizations for financial assistance to small businesses and entrepreneurs. Grants can be used for (a) production of a feasibility study, a financial plan, a financial projection, or a business plan; (b) assistance with preparing a loan application or with reviewing in-house operating procedures; and (c) entrepreneurship and management training. The program also provides business incubator grants which range from $10,000 to $100,000 per year. The grants can be used to fund: (a) operating expenses; (b) technical assistance in start-ups; (c) start-ups, rehabilitations or expansions; and (d) tenant revolving funds. Since fiscal year 1994-95, 12 CBED grants totalling $207,200 have been made to minority run organizations; 18 grants totalling $287,300 have been made to organizations that primarily serve minority organizations. Some would argue that the additional MBDF nonprofit corporation and business incubator programs would duplicate CBED programs and are not necessary.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to increase expenditure authority for the MBDF program revenue repayments appropriation by $291,100 in 1997-98 and decrease expenditure authority by $35,100 in 1998-99. Increase, from 10% to 25%, the maximum amount of total MBDF funding that could be awarded as minority business early planning grants. Further, authorize business development grants or loans to a local development corporation to create, expand or continue a revolving fund program. Require a cash contribution of at least 50% of the cost of the project. The maximum amount of grants or loans to a local development corporation would be $200,000. Decrease from $100,000 to $50,000 the maximum grant or loan that a local development corporation could make to eligible recipients. Repeal statutory provisions relating to programs that have sunset.

2. Modify the Governor's recommendation to reduce funding for the MBDF by $109,500 GPR annually.

Alternative 2	GPR
1997-99 FUNDING (Change to Bill)	- $219,000

3. Modify the Governor's recommendation to reduce funding for the MBDF program by $50,000 annually.

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Alternative 3	GPR
1997-99 FUNDING (Change to Bill)	- $100,000

4. In addition to any of the above alternatives, create a minority nonprofit corporation and business incubator program. Allow Commerce to provide up to $200,000 annually for grants as indicated in the Appendix.

Prepared by: Ron Shanovich

MO# Alt #4

JENSEN	~~Y~~	N	A
OURADA	~~Y~~	N	A
HARSDORF	~~Y~~	N	A
ALBERS	~~Y~~	N	A
GARD	~~Y~~	N	A
KAUFERT	~~Y~~	N	A
LINTON	~~Y~~	N	A
2 COGGS	~~Y~~	N	A
BURKE	~~Y~~	N	A
DECKER	~~Y~~	N	A
GEORGE	Y	N	~~A~~
JAUCH	~~Y~~	N	A
WINEKE	~~Y~~	N	A
SHIBILSKI	~~Y~~	N	A
COWLES	~~Y~~	N	A
PANZER	~~Y~~	N	A

AYE 15 NO 0 ABS 1

APPENDIX

Minority Nonprofit Corporation and Business Incubator Grants (Alternative #4)

Commerce would be authorized to make grants of up to $100,000 to a nonprofit corporation or a business incubator if all of the following applied:

a. if a nonprofit corporation, it owns and operates a business incubator.

b. provides services primarily to minority group members or minority businesses.

c. submits a plan to the Department detailing the project and the proposed use of the grant.

d. if the grant is part of a project that is also funded by contributions from other sources, provides the Department with the amount of those contributions or pledges for contributions that the nonprofit corporation received before the grant is made.

e. the Secretary approves the plan before awarding the grant.

f. agrees not to use the proceeds of the grant for salaries or other administrative costs.

g. agrees to use the grant to build or rehabilitate the premises of the business incubator and to try to ensure that at least 50% of the proceeds of the grant will go to contractors that are minority businesses.

h. agrees to submit to the Department, within 90 days after spending the full amount of the grant, a report detailing the actual use of the proceeds of the grant.

"Business incubator" would mean a facility designed to encourage the growth of new businesses, if at least 2 of the following apply:

a. Space in the facility is rented at a rate lower than the market rate in the community.

b. Shared business services are provided in the facility.

c. Management and technical assistance are available at the facility.

d. Businesses using the facility may obtain financial capital through a direct relationship with at least one financial institution.

Representative Coggs
Senator George

COMMERCE

Minority Business Development Finance Program

Motion:

Move to modify provisions of the Minority Business Development Finance Program as Follows:

(a) The definition of development project would be expanded to include promotion of employment opportunities for minority group members or minority businesses.

(b) Eligible recipient would mean a minority business or local development corporation.

(c) A local development corporation would be required to operate primarily (rather than entirely) within specific geographic boundaries, to promote employment opportunities for minority group members or minority businesses (in addition to economic development) and to demonstrate commitment to or experience in promoting employment opportunities (as well as economic development) for minority group members or minority businesses.

(d) To receive MBDF grants or loans a local development corporation would be required to use the proceeds to: (1) make grants or loans to minority group members or minority businesses to fund eligible project development costs; and (2) to promote economic development and employment opportunities for minority group members or minority businesses.

(e) Authorize the Minority Business Development Board to make MBDF grants or loans to local development corporations.

(f) Require that, in making MBDF grants or loans, the Department or Board determines that the project will promote economic development and employment opportunities for minority group members or minority businesses, in addition to retaining or increasing employment and that the project has the potential to promote economic development and employment opportunities for minority group members or minority businesses, as well as having the potential to be profitable.

~~(g) Eliminate the provision which excludes entertainment expenses or expenses incurred before the Board approves a grant or loan from eligible project costs.~~

Note:

The minority business development finance (MBDF) program consists of minority business early planning grants, which are awarded by Commerce, and minority business development grants and loans, which are awarded by the Minority Business Development Board. The Board consists of five persons appointed by the Governor for two-year terms. In making awards from the minority business development fund, Commerce or the Board must determine that all of the following criteria have been met:

(1) the project serves a public purpose;
(2) the project will retain or increase employment in Wisconsin;
(3) the project is not likely to occur without the grant or loan;
(4) financing is unavailable from any other source on reasonably equivalent terms;
(5) the recipient of the grant or loan will contribute, from nonstate funds, matching funds of 25% of the cost of a project;
(6) grant or loan funds will not be used to replace funds from any other source;
(7) the project will not displace workers in the state;
(8) the project has sufficient potential to be profitable; and
(9) if a development project, state funds will not be used to refinance existing debt.

As noted, MBDF provides both early planning grants and business development grants and loans.

Minority business early planning grants fund projects that consist of the preliminary stages of considering and planning the start-up or expansion of a business that will be a minority business. Eligible applicants are individuals who are both minority group members and state residents. Minority group members include Blacks, Hispanics, American Indians, Eskimos, Aleuts, native Hawaiians, Asian-Indians, and persons of Asian-Pacific origin. Commerce may not award more than $15,000 in a biennium to any one person or for any one project. The total amount of MBF funds that can be awarded for early planning grants are limited to 10% of the amount appropriated for the biennium. Grant recipients may use the funds to perform a business feasibility study and prepare marketing and business plans.

Minority business development grants and loans fund development projects undertaken by minority businesses and provide funding to local development corporations that agree to use the proceeds to make grants or loans to minority group members who are residents of this state. Eligible applicants are minority group members who are residents of this state, minority businesses, and local development corporations. The Board makes all determinations of funding under this program. The Board may make awards to local development corporations if all of the following apply:

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(1) Corporations agree to use the funds for grants or loans to eligible recipients to fund eligible project development costs;
(2) the Board determines that the projects to be funded by the corporations meet the general criteria for minority business grants and loans;
(3) the Board considers the general points that must be considered for minority business grants and loans; and
(4) the recipient will contribute matching funds equalling at least 25% of project costs.

The Board or a local development corporation may not award more than $100,000 in a biennium to any one person or for any one project. Recipients may use awards for working capital, machinery, equipment, land and buildings, to acquire existing businesses and for related expenses.

This motion would expand the MBDF grants and loans program to authorize grants and loans to minority businesses or local development corporations to promote employment opportunities for minority group members or minority businesses. The definition of local development corporation would be expanded, and the exclusion of entertainment expenses and expenses incurred prior to the award as eligible project costs would be deleted.

MO# #2000 — (3)
provision (3)

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
1 COGGS	Y	N	A
2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 7 NO 8 ABS ____

Representative Jensen

COMMERCE

Minority Business Development Finance Program

Motion:

Move to create a pilot program during the 1997-99 biennium that would provide Minority Business Development Finance (MBDF) grants of up to $100,000 to a nonprofit organization incubator if all of the following applied:

a. a nonprofit organization owns and operates the incubator.

b. the incubator provides services primarily to minority group members or minority organizations.

c. the nonprofit organization submits a plan to the Department detailing the project and the proposed use of the grant.

d. if the grant is part of a project that is also funded by contributions from other sources, the nonprofit organization provides the Department with the amount of those contributions or pledges for contributions that the nonprofit corporation received before the grant is made.

e. the Secretary approves the plan before awarding the grant.

f. the nonprofit organization agrees to submit to the Department, within 90 days after spending the full amount of the grant, a report detailing the actual use of the proceeds of the grant.

Note:

The MBDF provides early planning grants and business development grants and loans. Minority business early planning grants fund projects that consist of the preliminary stages of considering and planning the start-up or expansion of a business that will be a minority business. Eligible applicants are individuals who are both minority group members and state residents. Minority group members include Blacks, Hispanics, American Indians, Eskimos, Aleuts, native Hawaiians, Asian-Indians, and persons of Asian-Pacific origin. Commerce may not award more than $15,000 in a biennium to any one person or for any one project. The total amount of MBF funds that can be awarded for early planning grants are limited to 10% of the amount

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appropriated for the biennium. Grant recipients may use the funds to perform a business feasibility study and prepare marketing and business plans.

Minority business development grants and loans fund development projects undertaken by minority businesses and provide funding to local development corporations that agree to use the proceeds to make grants or loans to minority group members who are residents of this state. Eligible applicants are minority group members who are residents of this state, minority businesses, and local development corporations.

This motion would authorize Commerce to establish a pilot program under the MBDF that provide award grants or loans of up to $100,000 to nonprofit organization incubators if certain reporting requirements are met.

MO# 995

1 JENSEN	Y	N	A
2 OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 1 ABS 0

Representative Jensen

COMMERCE

Minority Business Development Finance Program Grants to Nonprofit Financial Institutions

Motion:

Move to establish a Minority Business Development Finance (MBDF) grant program that would provide funding to private nonprofit financial institutions to make working capital microloans to minority group members and minority businesses. Require that the MBDF funds be used by the financial institution to make loans for working capital not to exceed $5,000.

Note:

The Minority Business Development Finance (MBDF) program consists of minority business early planning grants, which are awarded by Commerce, and minority business development grants and loans, which are awarded by the Minority Business Development Board. Minority business early planning grants fund projects that consist of the preliminary stages of considering and planning the start-up or expansion of a business that will be a minority business. Eligible applicants are individuals who are both minority group members and state residents. Minority group members include Blacks, Hispanics, American Indians, Eskimos, Aleuts, native Hawaiians, Asian-Indians, and persons of Asian-Pacific origin. Commerce may not award more than $15,000 in a biennium to any one person or for any one project. The total amount of MBF funds that can be awarded for early planning grants are limited to 10% of the amount appropriated for the biennium. Grant recipients may use the funds to perform a business feasibility study and prepare marketing and business plans.

Minority business development grants and loans fund development projects undertaken by minority businesses and provide funding to local development corporations that agree to use the proceeds to make grants or loans to minority group members. Eligible applicants are minority group members who are residents of this state, minority businesses, and local development corporations. The Minority Business Development Board (MBDB) makes all determinations of funding under this program.

This motion would create a MBDF program that would provide grants to private nonprofit financial institutions to make microloans to minority group members and minority businesses. The loans could ~~not~~ be up to $5,000.

Motion #1126

VOTE OVER → 15-0

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MO# 1126

1 JENSEN	~~Y~~	N	A
2 OURADA	~~Y~~	N	A
HARSDORF	~~Y~~	N	A
ALBERS	~~Y~~	N	A
GARD	~~Y~~	N	A
KAUFERT	~~Y~~	N	A
LINTON	~~Y~~	N	A
COGGS	~~Y~~	N	A
BURKE	~~Y~~	N	A
DECKER	~~Y~~	N	A
GEORGE	Y	N	~~A~~
JAUCH	~~Y~~	N	A
WINEKE	~~Y~~	N	A
SHIBILSKI	~~Y~~	N	A
COWLES	~~Y~~	N	A
PANZER	~~Y~~	N	A

AYE 15 NO 0 ABS 1

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Repeal Badger Fund and Badger Board and Create a Mining Economic Development Grant Program (Commerce)

[LFB Summary: Page 140, #34 and Page 528, #32]

CURRENT LAW

Wisconsin imposes a net proceeds tax on state metalliferous mining operations, in lieu of local property taxation. Revenues from the net proceeds tax are placed in the investment and local impact fund (ILIF) which is administered by the Investment and Local Impact Fund Board (ILIFB). The Board makes various required and discretionary payments from the fund to compensate counties, municipalities and Native American communities for costs associated with mining.

Revenues that accrue above certain amounts are deposited in the badger fund, which is administered by the Badger Board. Interest on the balance in the Badger fund is required to be used for general school aids and a recreational grant program. Through April 1, 1997, the balance in the badger fund was $5.355 million.

The attachment summarizes the current net proceeds tax as well as the statutes governing the use of these revenues.

GOVERNOR

Repeal the Badger Fund and Badger Board and related statutory provisions. As a result, the Badger Fund's recreational grant program and the use of monies for general equalization school aids would be eliminated. All future mining tax revenues would be placed in the Investment and Local Impact Fund (ILIF).

The bill would create a mining economic development grant and loan program that would be administered by Commerce. Under the program, the Development Finance Board would be authorized to make grants or loans up to specified levels to a business, city, village, town, county, community-based organization or local development corporation.

The Board could not award a grant or loan if the proceeds would be used to establish or expand a business that would be solely dependent on mining activity. In making awards, the Board would be required to consider both the general and targeted area criteria considered in making awards for WDF programs. The Board would also have to consider the extent to which the business or other entity that would be assisted by the project would be likely to provide stable, long-term employment opportunities that would reduce the dependence of the area on mining.

Two separate appropriations would be created under Commerce for the program. A continuing, segregated appropriation, funded by amounts transferred from the ILIF, would be created to fund the mining economic development grants and loans. A total of $200,000 SEG would be provided from the ILIF in 1997-98 to fund the grants and loans. The bill would also create a separate program revenue appropriation for repayments of grants and loans. Repayments received in this appropriation could also be used to fund mining economic development grants and loans.

Commerce, with the approval of the Board, would be required to promulgate rules which would establish standards and policies for awarding mining grants and loans that would be consistent with policies and standards established by rule for awarding WDF grants and loans. The Department would also be required to promulgate rules that would govern the application processes for mining economic development grants and loans and for grants and loans made from local revolving funds that would be established with grant or loan monies.

Under the program, an area affected by mining would mean an area in which all of the following would apply: (a) public and private infrastructure is or was provided to support mining activity; (b) public funds are or were expended for costs associated with mining activity; and (c) construction of a mine has begun and economic diversification would be necessary to reduce dependence on mining activity for the long-term economic growth and stability of the area. Business would mean a company located in the state, a company that has made a firm commitment to locate a facility in the state or a group of companies of which at least 80% are located in the state. Community-based organization would mean an organization that is involved in economic development and helps businesses that are likely to employ persons. A local development corporation would be defined to mean the elected governing body of a federally recognized American Indian tribe or band in the state or any business created by the elected governing body. A local development corporation would also be a nonprofit business organized under state law that operated within specific geographic boundaries and that promoted the economic development within the specific geographic area. Mining would mean metallic mining.

DISCUSSION POINTS

Badger Fund and Badger Board

1. Revenues that accrue above certain statutory amounts are deposited in the Badger Fund. When net proceeds tax revenues are sufficient, 40% of total collections are transferred to the Badger Fund. In addition, any balance in the ILIF in excess of $20 million is also transferred to the Badger Fund and placed in a separate account. The Badger Fund is administered by the Badger Board which is composed of the Governor or a designee and the Secretaries of Revenue, Commerce and Natural Resources and the Board of Commissioners of Public Lands.

Interest on the balance in the Badger Fund is required to be used for two purposes:

a. Fifty percent must be used to make grants to counties, cities, villages and towns to fund the capital costs of recreational facilities. The Badger Board may award grants to municipalities for the capital costs, but not the operating or maintenance costs, of recreational facilities including picnic and camping grounds, hiking trails, trail-side campsites and shelters, cross-country ski trails, bridle trails, nature trails, snowmobile trails and areas, beaches and bath houses, toilets, shelters, wells and pumps, fireplaces, tennis courts, softball diamonds, baseball diamonds, soccer fields, playgrounds and playground equipment and for purchases of land for those purposes.

b. The other fifty percent is required to be used for state general equalization aids for school districts.

2. Table 1 shows the distribution of mining tax revenues from the Flambeau mine since it began operations. Note that the totals do not include interest on the balances in either the Badger Fund or ILIF.

TABLE 1

Distribution of Mining Tax Revenues 1993 to 1997

Tax Year*	Tax Paid	Credit for Construction Period Payment	ILIF**	Badger** Fund
1993	$505,680	$62,880	$442,800	$0
1994	6,362,736	237,120	3,675,370	2,450,246
1995	6,409,121	0	3,845,473	2,563,648
1996	1,400,000***	0	840,000	560,000
Totals	$14,677,537	$300,000	$8,803,643	$5,573,894

*Tax due June 15 of following year.
**Amounts do not include interest on balance in fund.
***Estimate.

3. As noted, the March 30, 1997, balance, in the badger fund was $5,355,300, including interest on the fund balance. Between March 30, and the end of the 1996-97 fiscal year the balance will increase for two reasons: (a) interest estimated at $11,340 per month will accrue; and (b) 40% of Flambeau mine's 1996 tax payment ($1,400,000) or an estimated $560,000 will be transferred to the fund. (The 1996 tax payment will be the final payment made by Flambeau.) Consequently, the estimated June 30, 1997, balance in the badger fund will be $5,983,300.

4. The 1995-97 budget (1995 Wisconsin Act 27) included a provision which requires the June 30, 1997, balance in the Badger Fund to be transferred to the general fund.

5. The Badger Board has not met since it was created in 1981. This is because there was no money in the fund for the Board to administer until 1994. Similarly, no monies have been distributed from the fund either as recreational grants or as general equalization aids. Since the current balance in the fund will be transferred at the end of the fiscal year there will be no fund for the Board to administer. Moreover, there will be no mining activity in the state after the Flambeau mine closes this year. As a result, it is argued that there is no need for either the Badger Board or badger fund and both should be eliminated.

6. However, some view the Badger Fund as a trust fund in which to place monies that would be available to address long-term costs imposed by mining on the state and affected communities. From this view, the ILIF does not provide the same long-term support. Most of the monies placed in the ILIF are required to be distributed as payments to municipalities. In addition, any remaining funding can be distributed by the ILIFB in the form of discretionary grants to municipalities. Since there is a possibility of a mine being constructed in the Crandon

area in the future, some would argue that authority for the Badger Board and Fund should continue.

Mining Economic Development Grant and Loan Program

7. SB 77 would create a mining economic development grant and loan program administered by Commerce that would make grants or loans to:

a. a business, to finance start-up, maintenance or expansion, up to $100,000.

b. a city, village, town or county, to develop an economic diversification plan, up to $100,000.

c. a local government, community-based organization or local development corporation, to establish a local revolving fund to finance businesses that would create long-term employment opportunities, up to $200,000.

d. a community-based organization or local development corporation to conduct a local economic development project that would create long-term employment opportunities and that would provide assistance to businesses or entrepreneurs, up to $100,000.

e. a business, to obtain professional services related to the start-up, maintenance or expansion of the business, including assistance with feasibility studies or financial marketing plans and managerial assistance after start-up or expansion, up to $15,000.

A total of $200,000 SEG would be provided from the ILIF to fund the grants and loans.

8. Commerce indicates that the mining grant and loan program is designed to provide financial assistance to mining-impacted communities to develop and implement economic diversification plans and create long-term employment opportunities to reduce the dependence of the area on mining for economic growth. The program would allow communities to establish an economic development infrastructure to achieve long-term growth by funding economic development diversification plans, early planning grants, revolving loan funds and business loans and grants. Since the source of funding would be mining tax revenues, there would be a direct link between mining activity and economic revitalization of the area. Moreover, mining activity in the state is located primarily in Rusk and Forest Counties. These are areas which have had unemployment rates that are substantially higher than the state average for most of the year. By targeting areas that are impacted by mining, the grant and loan program would also target aid to areas experiencing a high degree of economic distress.

9. Under current law, the Community Based Economic Development (CBED), Rural Economic Development (RED) and Wisconsin Development Fund (WDF) programs provide grants and loans for many of the same type of projects that would be eligible for the proposed

mining economic development grants and loans. CBED provides grants to community-based organizations for financial assistance to businesses and for local economic development projects. CBED business incubator grants can be used to create revolving loan funds and CBED also provides grants to political subdivisions to develop economic diversification plans. The RED provides grants and loans to small businesses for professional services related to starting or expanding a business and loans for working capital and fixed asset financing. WDF provides grants and loans to businesses for major economic development projects and certain types of labor training. However, the Department indicates that current demand for financial assistance through these programs is strong and only a portion of applications can be funded. Generally, annual funding for CBED and the WDF is fully awarded. Proposed modifications to the RED are expected to increase demand for its funds. As a result, it is argued that the new mining grant and loan program is necessary to ensure that viable projects in mining-impacted communities receive assistance.

10. First dollar and county additional payments made to municipalities from the ILIF (as described in the Appendix) are required to be used for mining-related purposes. Mining-related purposes are defined as activities which are directly in response to construction, operation, curtailment of operation or cessation of operation of a metallic mining site; or directly in response to conditions at a metallic mining site which is not in operation. Mining-related purposes include activities which anticipate the economic and social consequences of the cessation of mining. Mining-related purpose also include activities for which discretionary grants can be awarded from the ILIF.

11. The ILIFB is also authorized to make discretionary grants to counties, municipalities and Native American communities for the following purposes:

a. Protective services, such as police and fire services associated with the construction and operation of the mine site.

b. Highway repairs or construction as a consequence of the construction and operation of a mine.

c. Studies and projects for local development.

d. Monitoring the effects of the mining operation on the environment.

e. Extraordinary community facilities and services provided as a result of mining activity.

f. Legal counsel and technical consultants to represent and assist municipalities appearing before state agencies on matters relating to metalliferous mining.

g. Other expenses associated with the construction, operation, cessation of operation or closure of the mine site.

h. The preparation of areawide community service plans for municipalities applying for funds which identify social, economic, educational and environmental impacts associated with mining and set forth a plan minimizing the impacts.

i. Provision of educational services in a school district.

j. Expenses attributable to a permanent or temporary closing of a mine including the cost of providing retraining and other educational programs designed to assist displaced workers in finding new employment opportunities. Eligible expenses also include the cost of operating any job placement referral programs connected with the curtailment of mining operations in any area of the state.

12. There are two basic differences between the proposed mining economic grant program and the various grants made from the ILIF: (a) the ILIFB only awards grants, although grants to municipalities can be used to create revolving loan funds; and (b) the ILIFB only makes grants to local units of government. However, local governments can provide direct financial assistance to private businesses. Examples include the Conwed and Norse projects. In the Conwed project, Rusk County and the City of Ladysmith were awarded $2.8 million to buy Conwed's existing manufacturing facility and to construct a new facility in the city's industrial park. The city and county will purchase equipment for the plant with monies from revolving loan funds. The new facility will be sold to Conwed under a long-term land contract. Conwed manufactures modular office furniture. Similarly, Norse Building Systems (a modular home manufacturer) is currently building a manufacturing plant in Ladysmith. The city, Rusk County and the Town of Grant will use an ILIF grant of $750,000 to purchase the facility and resell it to Norse under a land contract agreement. In reviewing the purposes for which ILIF grants may be used, it could be argued that the proposed mining grant program would duplicate the type of financial assistance that is already provided from the ILIF.

13. Table 2 shows the projected balance in the mining investment and local impact fund on July, 1, 1997. The Table indicates that an estimated $555,900 would be available for discretionary grants and another $188,100 would be in the reserve fund. The reserve fund can only be used to ensure that first dollar payments can be made, to reimburse municipalities for costs associated with the cessation of mining operations, and to indemnify municipalities for reclamation activities. Since the mine is closing in 1997, the last required first dollar payments will be made from mining tax revenues collected in June, 1997.

TABLE 2

Projected July 1, 1997, Balance in Mining Investment and Local Impact Fund

Discretionary Fund		
Beginning Balance (7/1/96)		$5,491,827
Plus: Flambeau Net Proceeds Tax Transfer (60%), Jun. '97	$840,000	
Federal Mining Revenue	250	
Interest	200,000	
Subtotal: Fund Income, est.		$1,040,250
Less: Discretionary Grant Disbursements since 7/1/96	$1,390,904	
First Dollar Payment (Jan. '97)	459,600	
County Additional Payment (Jan. '97)	383,200	
Reserve Transfer (Jan. '97)	640,912	
Discretionary Grant Encumbrances	2,261,552	
First Dollar Payment (Jan. '98), est.	473,400	
County Additional Payment (Jan. '98), est.	366,600	
Subtotal: Disbursements and Encumbrances		-$5,976,168
Available Balance		**$555,908**
Notice of Intent (NOI) Fund		
Beginning Balance (7/1/96)		$62,649
Less: Disbursements since 7/1/96	$18,247	
Noranda NOI-Restricted	44,402	
Subtotal: Disbursements and Encumbrances		-$62,649
Available Balance for Crandon Mine		**$0**
Reserve Fund		
Beginning Balance (7/1/96)		$612,561
Plus: Reserve Transfer (Jan. '97)	$640,912	
Reserve Transfer (Jan. '98), est.	0	
Subtotal: Fund Income		640,912
Less: Discretionary Grant Disbursements since 7/1/96	7,220	
Discretionary Grant Encumbrances	1,058,110	
Subtotal: Disbursements and Encumbrances		-$1,065,330
Available Balance		**$188,143**

14. The table shows that the estimated total amount of funding remaining in the ILIF would be $744,100. If $200,000 is transferred to the new mining economic development grant program, $544,100 would remain. Moreover, no additional mining tax revenues are expected in

the near future. The ILIF awarded almost $7 million in grants in fiscal year 1996. Consequently, after the proposed transfer, the remaining funding would represent about 8% of prior year disbursements from the ILIF; whereas the amount available for Commerce grants and loans would represent only 2% of prior year disbursements. Some would argue that the relatively low level of funding for both programs would dilute the effectiveness of either in providing sufficient support to communities to address the economic effects of mining. From this view, the funding should remain in the ILIF and the Commerce program should not be implemented.

15. The bill does not specify whether the amount transferred would come from discretionary funds or the reserve. Since the eligible uses for reserve funds are more limited than discretionary funds, if the Committee decides to transfer funding, it may wish to specify that the balance in the reserve should be part of the $200,000.

ALTERNATIVES TO BILL

Badger Fund and Badger Board

1. Approve the Governor's recommendation to repeal the Badger Fund and Badger Board and related statutory provisions. As a result, the Badger Fund's recreational grant program and the use of monies for general equalization school aids would be eliminated. Any future mining tax revenues would be placed in the Investment and Local Impact Fund (ILIF).

2. Maintain current law. (Future metallic mining tax revenues could be transferred to the Badger Fund.)

Mining Economic Development Grant and Loan Program

1. Approve the Governor's recommendation to create a mining economic development program administered by Commerce. The Development Finance Board would be authorized to make grants or loans to a business, a city, village, town, county, community-based organization or local development corporation. Provide $200,000 SEG from the ILIF in 1997-98 to fund the grants and loans.

2. Approve the Governor's recommendation but require that the amount transferred from the ILIF include the balance in the reserve.

3. Maintain current law.

Alternative 3	SEG
1997-99 FUNDING (Change to Bill)	- $200,000

Prepared by: Ron Shanovich

VOTE OVER

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MO# Alt 1 Badger Fund

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
2 BURKE	Y	N	A
1 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 0 ABS 1

MO# Mining Alt #2

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
2 BURKE	Y	N	A
1 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 0 ABS 1

Senator Decker

COMMERCE

Investment and Local Impact Fund Grants

Motion:

Move to direct the Investment and Local Impact Fund Board to make a grant of $480,000 to the City of Ladysmith from the July 1, 1997, balance in the Investment and Local Impact Fund, including reserve fund amounts.

Note:

Wisconsin imposes a net proceeds tax on state metalliferous mining operations, in lieu of local property taxation. Revenues from the net proceeds tax are placed in the investment and local impact fund (ILIF) which is administered by the Investment and Local Impact Fund Board (ILIFB). The Board makes various required and discretionary payments from the fund to compensate counties, municipalities and Native American communities for costs associated with mining.

The ILIFB is authorized to make discretionary grants to counties, municipalities and Native American communities for the following purposes:

a. Protective services, such as police and fire services associated with the construction and operation of the mine site.

b. Highway repairs or construction as a consequence of the construction and operation of a mine.

c. Studies and projects for local development.

d. Monitoring the effects of the mining operation on the environment.

e. Extraordinary community facilities and services provided as a result of mining activity.

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f. Legal counsel and technical consultants to represent and assist municipalities appearing before state agencies on matters relating to metalliferous mining.

g. Other expenses associated with the construction, operation, cessation of operation or closure of the mine site.

h. The preparation of areawide community service plans for municipalities applying for funds which identify social, economic, educational and environmental impacts associated with mining and set forth a plan minimizing the impacts.

i. Provision of educational services in a school district.

j. Expenses attributable to a permanent or temporary closing of a mine including the cost of providing retraining and other educational programs designed to assist displaced workers in finding new employment opportunities. Eligible expenses also include the cost of operating any job placement referral programs connected with the curtailment of mining operations in any area of the state.

The projected July 1, 1997, balance in the ILIF, net of required 1997-98 payments to municipalities, that would be available for discretionary grants would be an estimated $555,900. In addition, an estimated $188,100 would be in the reserve fund. Under the provisions of SB 77, $200,000 would be transferred from the ILIF to fund a mining economic development grant program administered by Commerce. If that provision is adopted, the ILIF would contain an estimated $544,000. Under the motion, and the SB 77 provision, the balance would be $64,000.

MO# 1578

JENSEN Y N A
OURADA Y N A
HARSDORF Y N A
ALBERS Y N A
GARD Y N A
KAUFERT Y N A
LINTON Y N A
COGGS Y N A

BURKE Y N A
1 DECKER Y N A
GEORGE Y N A
JAUCH Y N A
2 WINEKE Y N A
SHIBILSKI Y N A
COWLES Y N A
PANZER Y N A

AYE 15 NO 0 ABS 1

Motion #1578

ATTACHMENT

Summary of Current Law Relating to the Investment and Local Impact Fund

The state net proceeds tax is determined by adding together the gross proceeds from mining, subtracting allowable deductions to arrive at net proceeds and then applying the appropriate tax rates to net proceeds to determine the net tax payable. Gross proceeds are revenues from the sale of the ore after it is mined. An alternative method of calculating gross proceeds is authorized in cases where the minerals are sold or transferred to a processing or marketing facility which is a subsidiary or parent corporation or where the facility is in a foreign country. In these cases, gross proceeds are calculated by multiplying the amount of ore produced by a specified price. Net proceeds are determined by subtracting permitted deductions from gross proceeds.

If costs are not excluded in determining gross proceeds and are actually incurred or accrued, deductions are generally allowed for the following:

(a) The cost of labor, tools and supplies used in mining.

(b) The actual and necessary expenses for mining including extracting, transporting, milling, concentrating, smelting, refining, reducing, assaying, sampling, inventorying and handling the ore and expenses for further processing and transferring the product for which gross revenues are received.

(c) Expenses for administrative, appraising, accounting, legal, medical, engineering, clerical and technical services directly related to mining, excluding salaries and expenses for corporate officers and for lobbying.

(d) Expenses directly related to repair and maintenance of machinery, equipment and real property used for mining and for other necessary improvements, tools, appliances and supplies used in mining.

(e) Federal income taxes paid, state corporate income and franchise taxes paid, sales and use taxes paid and other taxes paid that are deductible for state corporate income tax purposes and that are allocable to the mine. (The net proceeds tax is not deductible in determining net proceeds but is deductible for state corporate income tax purposes.)

(f) Rents paid on personal property used in mining.

(g) The cost of relocating employes in the state.

(h) The costs of premiums on mining reclamation bonds.

(i) Costs for insurance, uninsured casualty losses and losses from the sale of personal property.

(j) Depreciation or amortization using methods authorized under state law. The assets specifically authorized to be depreciated are: machinery, mills, and reduction works; buildings structures and other improvements; permit fees, license fees and other required fees; and development of the mine after extraction begins.

(k) Royalties paid to owners of mineral rights to the lands where the mine or an extension of the mine is located. However, royalties paid to a person or entity in which the person mining has an ownership or equity interest or to a person who has an ownership or equity interest in the person mining are not deductible.

(L) All actual and necessary reclamation and restoration costs, fees or charges including payments for future reclamation which are required by law or by DNR order. Refunds of escrowed payments which were allowed as a deduction are to be taxed as net proceeds at the average effective tax rate for the years in which the deduction was taken.

(m) Interest paid which is specifically allocable to the development or operation of a mine or processing facility from which net proceeds are derived. If the interest is not specifically allocable to development or operation of a mine or processing facility, a deduction is allowed for the proportion of nonspecifically allocable interest that equals the proportion that capital investment in the mine and processing facilities represent of the taxpayer's total investment. If the mine is owned by a corporation that is part of an affiliated group of corporations that are eligible to file a consolidated federal income tax return, the deduction for interest is limited to interest paid to nonmembers of the group. However, in all cases, the deduction for interest cannot exceed 5% of total gross proceeds for the taxable year.

(n) Depletion based on original cost.

Net proceeds are taxed under a statutory rate and bracket structure. The brackets are indexed based on the annual change in the gross national product deflator, subject to a maximum increase of 10%. The table below shows the statutory rate and bracket structure and the indexed brackets applicable for calendar year 1995 net proceeds (for taxes payable June 15, 1996).

Statutory Net Proceeds Brackets	Indexed Net Proceeds Brackets -- 1995	Rate
$0 to $250,000	$0 to $391,100	0%
250,001 to 5,000,000	391,101 to 7,822,500	3
5,000,001 to 10,000,000	7,822,501 to 15,644,800	7
10,000,001 to 15,000,000	15,644,801 to 23,467,300	10
15,000,001 to 20,000,000	23,467,301 to 31,289,900	13
20,000,001 to 25,000,000	39,289,901 to 39,112,100	14
Over 25,000,000	Over $39,112,100	15

The tax is imposed separately on the net proceeds of each mine. For the purpose of the net proceeds tax, mining does not include the extraction or benefaction of sand or gravel.

Under current law, the greater of 60% of all net proceeds tax revenues or an amount necessary to make first dollar payments is transferred to the ILIF. First dollar payments must be made to each county, city, village and town in which ore is extracted and to each Native American community which has tribal lands in a municipality in which ore is extracted. First dollar payments are statutorily set at $100,000 for each affected county or municipality; however, the amount of payment is indexed. The first dollar payment amount for January, 1997 payments was $153,200. Any revenues not transferred to the ILIF are transferred to a separate badger fund. In addition, any revenues in the ILIF in excess of $20 million on January 1, of any year are required to be transferred to the badger fund, but placed in a separate account. However, if the balance in the ILIF drops below $20 million or if there are not sufficient funds to make required and discretionary payments to counties, municipalities or Native American communities, a sufficient amount of transferred funds will be returned to the ILIF.

The Investment and Local Impact Fund Board (ILIFB) administers the ILIF and is responsible for making various payments from the fund to municipalities that are impacted by mining operations. The ILIFB is composed of eleven members: the Secretaries of Revenue and Commerce, two county officials, two municipal officials, three public representatives, one Native American and one school board member. The local government representatives are appointed by the Governor.

If necessary, funds are first transferred to the waste management fund or the environmental repair fund to pay for the costs of repairing or restoring environmental damage at a mining site, removing pollutants from the area or providing long-term care for the site. However, any amounts transferred cannot exceed the respective balances in the waste management or environmental repair funds or 50% of the balance in the ILIF. Aside from these possible transfers, tax revenues deposited in the ILIF are distributed to eligible communities under a statutorily established system.

Counties, municipalities and Native American communities in which ore is extracted must receive annual first dollar payments. Payments are made to municipalities containing at least 15% of the minable ore body, counties in which metalliferous minerals are being extracted and Native American communities having tribal lands in eligible municipalities or counties. Cities, villages, towns and Native American communities are not restricted to using first dollar payments only for mining-related purposes.

When net proceeds revenues are sufficient to fully fund first dollar payments, counties in which metalliferous minerals are extracted receive additional payments. Additional payments to counties are the lesser of 20% of the net proceeds taxes collected from mines in the county or $250,000. Counties must use first dollar and additional payments for mining related purposes. The additional payment amount is indexed and was $383,200 in January, 1997.

A project reserve fund must be established for each mine site. The amount placed in the fund is the lesser of 10% of net proceeds tax revenues from the mine or the amount remaining after first dollar and county additional payments are made. Monies in the reserve fund can be used for: (a) funding first dollar and county additional payments when tax revenues are insufficient; (b) reimbursing municipalities for costs associated with the cessation of mining operations; and (c) to indemnify municipalities for reclamation expenses.

The ILIFB is also authorized to make discretionary grants to counties, municipalities and Native American communities for the following purposes:

(a) Protective services, such as police and fire services associated with the construction and operation of the mine site.

(b) Highway repairs or construction as a consequence of the construction and operation of a mine.

(c) Studies and projects for local development.

(d) Monitoring the effects of the mining operation on the environment.

(e) Extraordinary community facilities and services provided as a result of mining activity.

(f) Legal counsel and technical consultants to represent and assist municipalities appearing before state agencies on matters relating to metalliferous mining.

(g) Other expenses associated with the construction, operation, cessation of operation or closure of the mine site.

(h) The preparation of areawide community service plans for municipalities applying for funds which identify social, economic, educational and environmental impacts associated with mining and set forth a plan minimizing the impacts.

(i) Provision of educational services in a school district.

(j) Expenses attributable to a permanent or temporary closing of a mine including the cost of providing retraining and other educational programs designed to assist displaced workers in finding new employment opportunities. Eligible expenses also include the cost of operating any job placement referral programs connected with the curtailment of mining operations in any area of the state.

Distribution of discretionary grants are first made to municipalities in which mining is or has occurred within the three previous years, next to municipalities adjacent to those in which ore is extracted or has been extracted in the last three to seven years and finally to other communities.

A school district is eligible to apply for and receive, upon ILIFB approval, an amount equal to the district's nonshared costs attributable to enrollment resulting from the development and operation of a mine.

Each person constructing a mining site is required to make a one-time construction period payment of $100,000 to each county, municipality and Native American community that contains at least 15% of the minable ore body. The revenues for the payments are advanced by the mining company at the start-up of construction and are credited against future net proceeds tax liability. The payments are made to eligible communities 30 days after construction begins.

Each company that files a Notice of Intent to Collect Data with DNR is required to pay $150,000 in three equal installments to DOR for deposit in the ILIF. The ILIFB is authorized to use these funds to make payments to eligible municipalities, counties or local impact committees to cover the costs of legal counsel or certain qualified technical experts and for other reasonable and necessary expenses that directly relate to negotiation of a local agreement. Unexpended notice of intent revenues are refunded to the mining company six months after a local agreement is signed.

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Modifications to Physician and Health Care Provider Loan Assistance Programs (Commerce)

[LFB Summary: Page 143, #37]

CURRENT LAW

The Physicians Loan Assistance Program (PLAP) is a program that repays loans for physicians that agree to practice in certain medical shortage areas. The physician enters into an agreement with Commerce to practice in a certain shortage area as a condition of having educational loans repaid. Through PLAP, Commerce may repay, on behalf of the physician, up to $50,000 over a five-year period in educational loans obtained by the physician from a public or private lending institution for education in an accredited school of medicine or for post-graduate medical training. The loans are repaid according to the following schedule: (1) 10% of the principal up to $5,000 in the first year; (2) an additional 12.5% of the principal up to $6,250 in the second year; (3) an additional 15% of the principal up to $7,500 in the third year; (4) an additional 20% of the principal up to $10,000 in the fourth year; and (5) an additional 42.5% of the principal up to $21,250 in the fifth year. Commerce has made awards to 87 physicians over the life of the program.

The Health Care Provider Loan Assistance program is a program that repays loans of primary health care providers (physician assistants, nurse-midwives and nurse practitioners) in areas that are underserved by primary care providers. Commerce may repay, on behalf of health care providers, up to $25,000 over a five-year period in educational loans obtained from a public or private lending institution for education related to the health care provider's field of practice. The loans are repaid according to the following schedule: (1) 10% of the principal up to $2,500 in the first year; (2) an additional 12.5% of the principal up to $3,125 in the second year; (3) an additional 15% of the principal up to $3,750 in the third year; (4) an additional 20% of the principal up to $5,000 in the fourth year; and (5) an additional 42.5% of the principal up to $10,625 in the fifth year. The Department has made awards to a total of 15 health care providers over the life of the program.

Commerce is also required to contract with the University of Wisconsin Office of Rural Health for certain services including: advising the Department and the Rural Health Development Council concerning practice areas and communities of high need; assisting in publicizing the programs; and assisting candidates, communities and the Department in participating in and operating the programs.

GOVERNOR

Modify the Physician Loan Assistance (PLAP) and the Health Care Provider Loan Assistance (HCPLAP) programs as follows:

a. The definition of an eligible practice area under both programs would be modified to be a primary care shortage area, an American Indian reservation or trust lands of an American Indian tribe. An eligible practice area would no longer include an obstetric shortage area, a state or federal prison or an area health education center established under federal law. For the PLAP, mental health shortage area would be substituted for the current psychiatric shortage area that is included in the definition of eligible practice area.

b. The definition of primary care shortage area would be modified to be a primary care health professional shortage area as determined under federal law, excluding a state or federal prison.

c. The loan repayment agreement between the Department and the physician or the health care provider would require the physician or health care provider to practice at least 32 clinic hours per week in one or more eligible practice areas in the state. Clinic hours would mean hours spent working with patients in a clinic.

d. The period over which loans would be repaid by the state would be reduced from five to three years for both programs. Under the PLAP, loans would be repaid at the following rate: (1) 40% of the principal of the loan up to $20,000 during the first year of participation in the program; (2) an additional 40% of the principal of the loan up to $20,000 during the second year of participation; and (3) an additional 20% of the principal of the loan up to $10,000 during the third year of participation. HCPLAP loans would be repaid according to the following schedule: (1) 40% of the principal of the loan up to $10,000 during the first year of participation in the program; (2) an additional 40% of the principal of the loan up to $10,000 during the second year of participation; and (3) an additional 20% of the principal of the loan up to $5,000 during the third year of participation. The maximum amount of a loan that could be repaid would remain at $50,000 for the PLAP and $25,000 for HCPLAP.

e. Commerce would be required to establish penalties, by rule, that would be assessed against physicians and health care providers who breached a loan repayment agreement. The rules would be required to: (1) specify what actions would constitute a breach of the agreement; (2) provide specific penalty amounts for specific breaches; and (3) provide exceptions for certain actions, including breaches of agreements resulting from death or disability.

f. Funding for the PLAP, HCPLAP and the contract with the University of Wisconsin Office of Rural Health would be consolidated into a new separate, GPR continuing appropriation. A total of $388,700 GPR would be provided annually. The current appropriations that are used to provide funding for the PLAP, HCPLAP and contract would be repealed.

g. The current requirement that the Department, with the advice of the Rural Health Council, establish primary care and obstetric shortage areas would be repealed. Similarly, the requirement that the Office of Rural Health provide recommendations to the Department and Rural Health Council regarding establishment of such shortage areas would also be repealed. The definition of primary care under the PLAP would be repealed and incorporated into the definition of physician. Physician would be an M.D. or D.O. who specialized in family practice, general internal medicine, general pediatrics, obstetrics and gynecology, or psychiatry. Finally, a provision related to reimbursement for certain obstetric and gynecological care under medical assistance would be modified to reference the definition of primary care shortage area included in the bill.

DISCUSSION POINTS

Transfer PLAP and HCPLAP

1. Funding for PLAP and HCPLAP loan repayments is provided through two separate GPR continuing appropriations. Base level funding is $317,200 GPR for the PLAP appropriation and $53,000 GPR for the HCPLAP appropriation. Base funding of $18,500 GPR is provided through a biennial appropriation for the contract with the Office of Rural Health. In addition, one Commerce staff member is responsible for administering the program for the Department. The administrative responsibilities include processing applications, establishing a system for awarding grants and monitoring and tracking loans. Funding of $60,200 GPR is provided for salary, fringe benefits and supplies and services associated with the position and administration of the programs.

2. As noted, the PLAP is a program that repays loans for physicians who agree to practice primary care (including family medicine, general internal medicine and pediatrics) in an eligible practice area. An eligible practice area includes a primary care shortage area, an obstetric shortage area, a psychiatric shortage area, a state or federal prison, an area health education center program or an Indian reservation in Wisconsin. The Department may also enter into agreements with physicians who will practice psychiatry or obstetrics in shortage areas. A

primary care shortage area is an area in which the ratio of the population to the number of physicians who provide primary care is more than 2,500 to one or an area that is in a primary health care professional shortage area as determined under federal law.

Similarly, the HCPLAP that repays loans of primary health providers (physician assistants, nurse-midwives and nurse practitioners) who agree to practice in areas that are underserved by primary care providers. Eligible practice areas and primary care shortage areas are defined the same under HCPLAP as under PLAP except psychiatric shortage areas are excluded.

3. The Rural Health Development Council (Council) is attached to Commerce and consists of the Secretaries of Commerce and Health and Family Services and 11 members appointed by the Governor for five-year terms with the approval of the Senate. The appointed members must include: (a) a representative of the UW medical School; (b) a representative of the Medical College of Wisconsin; (c) a representative of the Wisconsin Health and Educational Facilities Authority; (d) a representative of the Farmers Home Administration; (e) two representatives of private lenders that make loans in rural areas; (f) two representatives of rural health care facilities; (g) a rural physician; (h) a rural nurse; and (i) a representative of public health services. Staff and other support for the Council is provided by Commerce.

4. In addition to advising Commerce on matters related to the PLAP, HCPLAP and the rural hospital loan guarantee program, the Council is statutorily required to make recommendations to the Department on all of the following:

a. Ways to improve the delivery of health care to persons living in rural areas of the state that qualify as eligible practice areas;

b. Ways to help communities evaluate the linkage between rural health facilities and economic development to determine the value of local support for rural health facilities.

c. The coordination of state and federal programs that are available to assist rural health facilities.

5. In response to provisions included in the 1995-97 biennial budget (1995 Wisconsin Act 27), the Lieutenant Governor was assigned the task of reviewing and evaluating the need for and functioning of 144 councils, boards and commissions that are authorized in the statutes. The Lieutenant Governor has recommended that the Rural Health Development Council be sunset on June 30, 1998. According to the evaluation, the Council is an advisory body whose role could be provided through a less formal, non-statutory means. In addition, the Council identified a number of public and private entities which have similar functions.

6. The University of Wisconsin Office of Rural Health is provided $25,900 GPR and 1.0 GPR position, $356,900 PR and 3.6 PR positions, and $47,100 FED and 1.0 FED position. The Office operates several programs designed to support the development of health services in

rural areas. The Office administers a number of recruitment programs, including the physician recruitment program (New Physicians in Wisconsin) which has been operating in Wisconsin since 1978. Through the program, over 300 physicians have been recruited to 110 communities. The Health Professionals for Wisconsin program recruits nurse practitioners, physician assistants and certified nurse midwives to community practices. The Office hosts statewide meetings, provides a newsletter, operates a rural health library, provides technical assistance and monitors legislation related to rural health issues. The Office also staffs the national rural recruitment and retention network which consists of a clearinghouse of 45 statewide organizations that provide recruitment services.

7. Commerce is statutorily required to contract with the Office of Rural Health for certain services. The Office of Rural Health is directed to provide the following services through contract: (a) advise Commerce and the Rural Health Development Council in identifying communities with extremely high needs for health care; (b) assist Commerce in publicizing the PLAP and HCPLAP programs to physicians, health care providers and eligible communities; (c) assist physicians and health care providers who are interested in participating in the programs; (d) assist communities in obtaining physicians or health care providers through the programs; and (e) assist Commerce with the general operations of the programs.

8. The Rural Health Development Council responsibilities are primarily related to advising Commerce on delivering health care to rural, underserved areas of the state, coordinating state and federal health facility assistance programs and evaluating the linkage between rural health care facilities and economic development. Only the latter responsibility directly relates to economic development promotion. Some have argued that Commerce has relatively little expertise or working relationships with affected clientele in most areas, such as prenatal care, health care delivery and rural hospitals, that the Council is required examine. Similarly, PLAP and HCPLAP focus on medical shortage areas and rural health care delivery is viewed as inconsistent with the focus of Commerce's other economic development programs. Also, Department staff are believed to lack expertise in programs and policies related to rural health care delivery. Moreover, PLAP and HCPLAP are loan repayment programs for individuals which are unlike the Department's other economic development programs which generally provide assistance to businesses for start-ups or expansions.

Consequently, some have argued that the Council and administration of PLAP and HCPLAP should be transferred to the Office of Rural Health. The Office could provide staff support to the Council. From this view, it is believed that Office staff have more expertise in areas needed to administer PLAP and HCPLAP. For example, the Office has historically worked to place physicians and health care professionals in rural medical service areas. In addition, because of such expertise, Office staff should be more able to assess the policy impacts of the Council's recommendations. To accomplish the transfer, funding for the PLAP, HCPLAP and related contract ($388,700 GPR) would be transferred to the UW Office of Rural Health. In addition, 1.0 GPR position and $60,200 GPR would be transferred. Finally, the Rural Health Development Council would be transferred to the Office.

9. Supporters of the current program would argue that the quality of the local health care system is directly related to economic development, particularly in rural areas. From this view PLAP and HCPLAP are economic development programs that are appropriately administered by Commerce. Moreover, the Department has been administering PLAP since 1991 and staffing the Council since 1990. It is argued that, over this time, the Department staff has developed the necessary expertise to act on Council recommendations and administer the programs. This is indicated by the fact that the Commerce administrative position must be transferred in order for the Office of Rural Health to administer PLAP and HCPLAP. Finally, some would argue that transferring the program administration to an institution as large as the UW could result in less effective administration of the program.

Technical Modifications

SB 77 contains statutory provisions which will modify the PLAP and HCPLAP to be more consistent with the federal loan assistance program. These modifications are intended to enable Commerce to receive $40,000 in federal matching funds. However, the Department has identified additional provisions that should be included in the programs to enable the Department to receive federal matching funds. The additional provisions would include defining expanded physician and health care provider loan assistance programs to mean programs funded through federal and state matching funds. Also, Department authority to repay eligible loans of eligible physicians or health care providers would have to include those who were qualified under current law provisions and who also met the following criteria: (a) agreed to accept medicare assignment; (b) agreed to use a sliding fee scale or a comparable method of determining payment arrangements for patients who are not eligible for medicare or medical assistance and who are unable to pay the customary fee for physician's or health care provider's services; (c) agreed to practice at a public or non-profit entity in a health professional shortage area; (d) was a U.S. citizen; and (e) did not have a judgement lien against his or her property for a debt to the U.S.

ALTERNATIVES TO BILL

Transfer PLAP and HCPLAP

1. Approve the Governor's recommendation to modify the Physician Loan Assistance (PLAP) and the Health Care Provider Loan Assistance (HCPLAP) programs. Reduce from five to three years, the period over which loans would be repaid by the state. Consolidate funding for the PLAP, HCPLAP and the contract with the University of Wisconsin Office of Rural Health into a new separate, GPR continuing appropriation. Repeal the current appropriations that are used to provide funding for the PLAP, HCPLAP and UW contract.

2. Modify the Governor's recommendation to transfer the Rural Health Development Council to the UW Office of Rural Health. Also, transfer $448,900 GPR and 1.0 GPR position

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from the Department of Commerce to the Office of Rural Health to transfer responsibility for administering the PLAP and HCPLAP from the Department to the Office.

3. Maintain current law.

Technical Modifications

1. Adopt the statutory modifications recommended by Commerce in order to receive federal funding.

2. Maintain current law.

Prepared by: Ron Shanovich

MO# Tech Mod #1

1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 0 ABS 1

MO# Transfer Alt #1

1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
2 JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 14 NO 1 ABS 1

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Development Zone Program Changes (Commerce)

[LFB Summary: Page 145, #38]

CURRENT LAW

Wisconsin has established 18 development zones in areas which have been designated as economically distressed in certain municipalities, counties and Indian reservations in the state. The 18 authorized zones are located in Beloit; Eau Claire; Fond du Lac; Green Bay; Janesville; Manitowoc; Milwaukee; Racine; Richland Center; Sturgeon Bay; Superior; Two Rivers; Iron County; Florence, Forest, Lincoln and Langlade Counties (North Four); Juneau, Adams and Marquette Counties; Grant and Lafayette Counties; and the Lac du Flambeau and Stockbridge-Munsee Indian Reservations. A total of $28.155 million is allocated for tax credits over the life of the statewide program.

GOVERNOR

Modify the state development zone program as follows:

a. Increase the statewide total amount of credits that could be claimed by $5 million to a total of $33.155 million.

b. Authorize the Department of Commerce to increase the established limit for tax benefits for all current zones.

c. Authorize local governing bodies to apply to the Department of Commerce for up to five, twelve-month extensions of the designation of an area as a development zone.

DISCUSSION POINTS

1. The state development zone program is designed to promote economic growth and development through job creation and investment in economically distressed areas. Designation criteria target areas with high unemployment, low incomes, high proportions of public assistance recipients, recent layoffs, or declining populations or property values. Development zone tax credits provide incentives for businesses to locate or expand in these areas.

2. The development zone program was created by 1987 Wisconsin Act 328. Under the provisions of Act 328, Commerce (at that time, the Department of Development) was given authority to designate eight development zones throughout the state and a total of $14 million was authorized for tax credits over the life of the program. Since it was first established in 1987, the development zone program has been expanded three times. In 1990, the program was expanded to allow for designation of four additional zones and an additional $4.155 million in total tax credits. In 1993 Wisconsin Act 16 (the 1993-95 budget), the program was further expanded to increase by two, to a total of 14 development zones that could be designated. The total amount of tax credits that could be allocated was increased by $3 million to $21.155 million. Finally, 1995 Wisconsin 1995 Act 209 increased the number of development zones that could be designated from 14 to 18 and the total amount of statewide credits was increased by $7 million, to a total of $28.155 million.

3. The changes included in SB 77 are designed to continue the economic development and job creation that are stimulated by the program. The development zone program is viewed as a mechanism for encouraging long-term, sustainable economic development. Those holding this view would note the growth in investment and employment that has occurred under the current program. According to Commerce, since the first eight zones were established in 1989, the program has generated $199.7 million in investment and created almost 5,100 jobs in the zones. The growth has been particularly significant in the last year. Between 1995 and 1996, total investment and the number of jobs created in the zones increased 25%. It is argued that the additional credit authority, increase in zone life and authority to allocate additional credits to existing zones are necessary to continue this pattern of economic growth.

Increasing the Total Tax Credit Allocation

4. Commerce allocates a portion of the statewide credit amount to each development zone. Economic development staff in each zone assign credits to eligible businesses within each zone based on the applications of the businesses and recommendations of local officials, subject to the approval of Commerce. The Department may reduce credit allocations in cases where businesses fail to meet certification requirements and where the information used to determine the allocation was inaccurate or significantly misestimated. Under administrative rules, business

credit amounts that are reduced must remain allocated to the development zone in which the business is located.

5. Under a provision of 1995 Act 209, Commerce was authorized to allocate up to $500,000 in additional tax benefits to any of the 14 zones that were designated before April 25, 1996. Under this provision, $200,000 was allocated each to Manitowoc, Milwaukee, Racine and Superior. Sturgeon Bay received an additional $500,000.

6. As of March 31, 1997, 65.7% of the total statewide tax credit allocation (excluding additional credits allocated under provisions of Act 209) had been allocated to businesses in development zones. The zones in Eau Claire, Green Bay, Manitowoc, Milwaukee and Superior had, at a minimum, allocated over 85% of the total credit allocation to businesses, including additional allocations received under the provision of Act 209. Sturgeon Bay had allocated 80% of its total credits, including the $500,000 additional allocation. It is argued that the credit allocations to these and other development zones will be exhausted before the zone expires. As a result, there will be little incentive for businesses to expand or locate in these zones. This will inhibit job growth in areas of the state that are experiencing economic distress.

7. Through March, 1997, $26.755 million of the total $28.155 million statewide credit authority had been allocated to the 18 development zones. This means that the Department has a credit reserve of $1.4 million. Except for Sturgeon Bay, this amount could be used to allocate additional credits to the pre-1996 development zones. Moreover, statewide, $8.4 million of the credits allocated to zones have not been allocated to businesses within the zones. Some would argue that, since there are $9.8 million in statewide credits that have not been allocated to businesses there is no need to increase the total state allocation. If only the SB 77 provision that would authorize Commerce to allocate additional credits to existing zones was adopted, a portion of the $1.4 million reserve could be allocated to zones, such as Milwaukee and Sturgeon Bay, that have used most of their allocation. In addition, the Department could be given authority to reallocate credits from underutilized zones.

8. SB 77 does not include an estimate of the potential fiscal effect of increasing the statewide total credit amount by $5 million. It is believed that the process of Commerce allocating the additional amounts to the zones, the zones allocating the credits to individual businesses and then the businesses taking the actions to claim the credits would delay any significant fiscal effect beyond the 1997-99 biennium. It would also be noted that the entire amount allocated to a business would not be claimed in one year, but would be claimed as investments were made and employes were hired as the business expanded. Also, many new and expanding businesses have little or no tax liability; in these cases, unused development zone credits would be carried forward to offset future tax liabilities. For example, through 1995, the total amount of credits allocated to individual businesses was $15.7 million, yet, according to DOR aggregate statistics, a total of $2.7 million in development zone credits was claimed through tax year 1995.

9. However, the fiscal effect of expanding the total statewide credit allocation is reflected in individual and corporate income and franchise tax revenue estimates. Based on historic information regarding credit allocations to businesses and DOR credit claims, it is estimated that the additional $7 million in credit authority provided in Act 209 will reduce annual income and franchise tax revenues by $100,000 annually. These reductions are included in current revenue estimates.

Designation Extensions

10. Development zones are initially authorized for seven years, with three, one-year extension currently allowed. As noted there were eight development zones created in 1989--Beloit, Iron County, Manitowoc, Milwaukee, Racine, Sturgeon Bay, Superior and the Stockbridge-Munsee Indian Reservation. Each of these zones was scheduled to expire in September, 1996. However, they were all extended one year and are scheduled to expire in September, 1997. The zones created in 1991 (Fond du Lac, Green Bay, Richland Center and the Lac du Flambeau Indian Reservation) expire in 1998. SB 77 includes a provision which would permit five, one-year extensions for designation as a development zone. It is argued that expanding the extension period is needed to ensure that the development projects undertaken in zones are completed. Urban redevelopment projects, such as those in the Milwaukee development zone, require a substantial amount of investment over time by many public and private entities. Moreover, the extension is needed to ensure that the development zone program can be used as part of the brownfields initiative included in the budget. The additional time would allow businesses to undertake brownfields redevelopment projects in existing zones.

11. Under current law, a development zone is allowed up to three one-year extensions. Some would argue that the current provision is sufficient to ensure the success of a development project. From this view, it is argued that 10 years should be sufficient to ensure that the required investment and development activities will occur. Beyond this point, it is not clear that any further investment of state funding through tax credits would be an efficient use of state monies. Moreover, those holding this view would note that the Joint Committee on Finance removed a similar provision from Act 209. They would argue that this action is an indication of legislative intent that the extension provision should remain unchanged. Finally, since the development zone credits are available to businesses that participate in the enterprise development zone program, brownfield redevelopment programs can be undertaken through that program.

ALTERNATIVES TO BILL

A. Increasing the Total Credit Allocation

1. Approve the Governor's recommendation to increase the statewide total amount of credits that could be claimed by $5 million to a total of $33.155 million and authorize the

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Department of Commerce to increase the established limit for tax benefits for all current development zones.

2. Modify the Governor's recommendation to delete the increase in the total statewide amount of credits that could be claimed.

~~3.~~ Modify the Governor's recommendation to delete the increase in the total amount of statewide credits that could be claimed. Further, authorize Commerce to reallocate unused credits from development zones.

B. Designation Extension

1. Approve the Governor's recommendation to authorize local governing bodies to apply to the Department of Commerce for up to five, one-year extensions of the designation of an area as a development zone.

2. Maintain current law (three, one-year extensions).

Prepared by: Ron Shanovich

Gov's rec by Default

MO# Alt #A3

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 4 NO 11 ABS 1