6

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Development Zones Tax Credits (Commerce/General Fund Taxes)

[LFB Summary: Page 27, #13 and Page 145, #38]

CURRENT LAW

Wisconsin has three programs which provide tax credits to businesses as incentives to expand and locate in designated economically distressed areas--the development zone, enterprise development zone and development opportunity zone programs. The programs are intended to promote economic growth through job creation and investment in the 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. Businesses which locate or expand in the different zones are eligible to receive various tax credits.

Eligible businesses which conduct economic activity in development, development opportunity or enterprise development zones may claim the following tax credits:

Jobs Credit. A credit, based on the federal targeted jobs tax credit, equal to 20% of the first $13,000 ($2,600) of qualified first- and second-year wages for each targeted employe hired. In addition, the credit equals 25% of the first $13,000 ($3,250) of qualified first- and second-year wages for individuals to an applicant for a Wisconsin Works (W-2) employment position for service either in an unsubsidized position or in a trial job. Finally, a credit can be claimed for an amount equal to 10% of the wages earned by an employe who is a resident of a zone during the first two years of employment, up to a maximum of $1,200.

Investment Credit. A credit equal to 2.5% of the purchase price of depreciable tangible personal property placed in service in the zone.

Location Credit. A credit equal to 2.5% of the amount expended on certified projects to acquire, construct, rehabilitate, remodel, repair and place in service real property in a zone.

Sales Tax Credit. A credit for the amount of sales taxes paid on purchases, leases and rentals of construction materials and supplies and related materials used to construct, rehabilitate, repair or remodel real and investment credit property in a zone.

Research Credit. Under current law, a corporation can claim a tax credit for 5% of certain increased research expenses. Eligible businesses can claim an additional credit of 5% of eligible research expenses incurred in a zone.

Day Care Credit. A credit for employment-related day care expenses, up to a maximum of $1,200 for the first two years of qualifying expenses, for each qualified dependent of a member of a targeted group who is employed by the claimant. This credit is only available to claimants who begin operations in a zone after July 29, 1995.

Environmental Remediation Credit. A credit for 7.5% of the amount expended by the claimant to remove or contain environmental pollution or to restore soil or groundwater affected by environmental pollution in a zone. This credit is only available to claimants who begin operations in a zone after July 29, 1995.

GOVERNOR

Eliminate the current development zone tax credits from the definition of tax benefits that are provided through the state development zone, development opportunity zone and enterprise development zone programs, starting with tax years that begin on January 1, 1998. To replace the current credits, a new, consolidated development zone credit, based on amounts spent on environmental remediation and the number of full-time jobs created or retained, would be provided. The new development zone credit would be determined as follows:

a. *Environmental Remediation Component.* A credit could be claimed for the amount expended for environmental remediation in a development, development opportunity or enterprise development zone. "Environmental remediation" would be defined as removal or containment of environmental pollution, and restoration of soil or groundwater that is affected by environmental pollution in a brownfield if removal, containment or restoration began after the area that contains the site where the work was done was designated a development, development opportunity or enterprise development zone. "Environmental pollution" means the contaminating or rendering unclean or impure the air, land or waters of the state, or making the same injurious to public health, harmful for commercial or recreational use, or deleterious to fish, bird, animal or plant life. "Brownfield" would be defined as an industrial or commercial facility the expansion or redevelopment of which is complicated by environmental contamination.

b. *Full-Time Jobs Component.* A credit of up to $6,500 could be claimed for each full-time job created or retained in a development, development opportunity, or enterprise development zone and filled by a member of a targeted group. In addition, a credit of up to $4,000 could be claimed for each full-time job created or retained that was filled by an individual who was not a member of a targeted group. "Full-time job would be defined as a regular, nonseasonal full-time position in which an individual, as a condition of employment, is required to work at least 2,080 hours per year, including leave and paid holidays, and for which the individual receives pay equal to at least 150% of the federal minimum wage and also receives benefits that are not required by federal law.

Credits that are not entirely used to offset income or franchise taxes in the current year could be carried forward up to 15 years to offset future tax liabilities. Internal Revenue Code provisions would govern the carry-forward of unused credits in cases where there is a change of ownership. If a certification of eligibility for tax benefits is revoked, credits could not be claimed for the tax year in which the certification was revoked or for successive tax years and unused credits could not be carried forward to offset tax liabilities for the year in which certification was revoked and succeeding years. In addition, credits could not be claimed for the year in which a person that was certified for tax benefits ceased business operations in a development, development opportunity or enterprise development zone, and unused credit amounts could not be carried forward from that year or from previous years.

The Department of Revenue would be authorized to administer credit claims and could take any action, conduct any proceeding and proceed as authorized under income and franchise tax provisions relating to timely claims, assessments, refunds, appeals, collection, interest and penalties. Provisions related to the pass through of the current development zones jobs tax credit for partnerships, limited liability companies and tax-option corporations would be adopted.

The Department of Commerce would be authorized to promulgate rules that would further define a person's eligibility for tax benefits under the development zone, opportunity development zone and enterprise development zone programs. The rules would be required to do at least all of the following:

a. Limit a person's eligibility to claim tax benefits for retaining full-time jobs to those jobs that likely would not have been retained without the tax benefits.

b. Allow a person to claim up to $6,500 in tax benefits during the time that an area is designated as a development or enterprise development zone for creating or retaining a full-time job that is filled by a member of the target population.

c. Allow a person to claim up to $4,000 in tax benefits during the time that an area is designated as a development zone or an enterprise development zone for creating or retaining a full-time job that is filled by an individual who was not a member of the target population.

d. Require that at least 25% of the tax benefits claimed be based on creating or retaining full-time jobs. At least one-third of the tax benefits claimed for creating or retaining full-time jobs would have to be for full-time jobs that were filled by members of the target population.

e. Specify the length of time that a full-time job must be maintained in order for a person to claim a tax credit that is based on that job.

f. Generally provide incentives for encouraging the retention of employes who would fill full-time jobs on which tax benefits would be based.

The Department of Commerce would also be authorized to promulgate rules which provide exceptions to: (1) the requirements that a certain proportion of tax benefits be based on full-time jobs created and retained and full-time jobs filled by members of the target population; and (2) the requirement that an individual's pay must equal at least 150% of the federal minimum wage. The Department of Commerce would be required to verify related information that was submitted concerning the new development zone credit.

"Member of a targeted group" would be defined as: (1) a person who was a member of a targeted group under the definition used for the current development zone jobs tax credit; (2) a person who resided in an empowerment zone or an enterprise community that the federal government had designated; or (3) a W-2 participant, if the person or participant was certified in the appropriate manner and by the appropriate designated local agency.

These provisions would first apply to tax years beginning on January 1, 1998.

DISCUSSION POINTS

1. The development zone program was created by 1987 Wisconsin Act 328. Under the provisions of Act 328, Commerce (at that time, DOD) 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. The development zone program has been expanded three times since it was first established in 1987. Currently there are 18 designated development zones: 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 in tax credits is authorized for the zones. (SB 77 would increase the total by $4 million to $33.155 million.) Through March, 1997, a total of $17.846 million in development zone credits had been allocated to businesses in the zones. The estimated distribution of the credit allocation by type of credit was: (a) jobs credit--$12,697,600; (b) sales tax--$1,742,200; (c) investment--$2,527,400; (d) location--$1,802,400; and (e) research--$67,900.

2. The 1995-97 budget (1995 Wisconsin Act 27) created the enterprise development zone program administered by the Department of Commerce. A business that conducts or intends to conduct economic activity in an area of the state can apply to Commerce to have the area designated as an enterprise development zone by submitting an application and a project plan to Commerce. The Department can designate the area as an enterprise development zone if the area meets certain criteria and the Department approves the project plan. Commerce is authorized to establish the length of time an enterprise development zone can be designated, but the zone cannot be designated for more than seven years (84 months).

A business that conducts economic activity in an enterprise development zone and is certified by Commerce can claim the development zone tax credits. Only one person in a zone is eligible for tax benefits in the zone. The maximum amount of credits that can be claimed by an eligible business in an enterprise development zone is established by Commerce but cannot exceed $3 million. Commerce cannot designate more than 50 enterprise development zones unless it receives approval from the Joint Committee on Finance. Through March 31, 1997, 19 enterprise development zones had been designated in Brookfield, Chippewa Falls, Eau Claire, Franklin, Green Bay and Manitowoc, Kenosha, Ladysmith, Marinette, Menomonee Falls, Milwaukee, Neillsville, New Berlin, Oconto, Platteville, Prairie du Chien, Shawano, Wauwatosa, Weyauwega, and Wisconsin Rapids. Through March 31, 1997, a total of $34.175 million in development zone tax credits had been allocated to businesses in enterprise development zones.

3. The statutes designate areas in the cities of Beloit, Eau Claire and West Allis as development opportunity zones. The zones in Beloit and West Allis were created by 1993 Wisconsin Act 232; the zone in Eau Claire was created by 1995 Wisconsin Act 2.

Any corporation in the development opportunity zones in Beloit or West Allis that, in conjunction with the local governing body, submitted a project plan to the Department of Commerce by October 23, 1994, and which is conducting economic activity in one of the zones is entitled to claim any of the development zones credits for which it qualifies. The designation of each zone as a development opportunity zone was effective for three years, beginning on April 23, 1994. The zones expired on April 24, 1997. The maximum amount of tax benefits that can be claimed in the Beloit development opportunity zone was $7 million. The total amount of credits that were allocated to the business in the Beloit zone was $2.774 million. The maximum amount of tax benefits that could be claimed in the West Allis zone is $3 million. The total amount of credits that were allocated to the business in West Allis zone was $3 million.

Any corporation in the development opportunity zone in Eau Claire that, in conjunction with the local governing body, submitted a project plan to the Department of Commerce by October 28, 1995, and is conducting economic activity in the zone is entitled to claim any of the development zones tax credits for which it qualifies. Designation of the Eau Claire development opportunity zone is effective for three years, beginning on April 28, 1995. Consequently, the zone will expire on April 28, 1998. The maximum amount of tax benefits that can be claimed in the

zone is $3 million. The total amount of tax credit that was allocated to the business in the zone was $3 million.

Summary information about individual development, development opportunity and enterprise development zones is included in Attachment 1.

4. Initially, there were five different tax credits available to businesses that expanded or located in development zones: (a) jobs tax credit; (b) investment credit; (c) location credit; (d) sales tax credit; and (e) the additional research credit for corporations. The jobs credit was equal to 40% of the first $6,000 of qualified wages paid by employers to employes who were members of a target group. The credit could be claimed for qualified wages paid in the first two years that each employe worked for the claimant. The 1993-95 budget (1993 Wisconsin Act 16) created the credit for 10% of the wages earned by resident employees, up to a maximum of $600. The 1995-97 biennial budget (1995-97 Wisconsin Act 27) created the environmental remediation and day care credits. Finally, 1995 Wisconsin Act 209 further modified the jobs tax credit to equal 20% of the first $13,000 of qualified wages for members of a targeted group and 25% of the first $13,000 wages for individuals in W-2 employment positions. The bill also clarified calculation of the resident jobs credit.

5. Businesses are required to be certified to receive tax benefits. The certification process is designed to provide a mechanism for ensuring that businesses intend to engage in economic activity that promotes the goals of the development, development opportunity and enterprise development zone programs. Businesses located in development zones must obtain an application from the Department of Commerce and first apply to the local governing body to be certified for tax benefits. In its application, a business must demonstrate that its planned economic activity within the zone will be consistent with the objectives of the program and compatible with the plan for the zone, and that it will not result in the loss of jobs or transfer of employes from other businesses located outside the development zone. The local governing body or the local development zone advisory board reviews and approves the application for certification. The community makes a recommendation to Commerce on the application and the amount of credits to be assigned to the business. Commerce reviews the applications using certain statutory criteria that are designed to ensure that the business will create or retain jobs (particularly for members of target groups), invest in the zone and remain there after the zone ceases to exist. Occasionally, the Department requests additional information. Based on its review, Commerce certifies the business. It generally takes 14 working days to complete the certification for businesses in development zones.

Businesses must apply to Commerce to have an area in which they intend to conduct an economic development project be designated as an enterprise development zone. The business must submit an application and project plan to the Department. The project plan must include information about the proposed business activities that will be conducted in the zone, including the estimated number of jobs that will be created or retained and the amount of investment that will be made in the zone. The Department evaluates the proposed zone based on certain criteria,

such as the poverty and unemployment rates, which are designed to measure economic distress and designates an area as an enterprise development zone based on these criteria. After it is determined that the zone meets the required criteria, the Department reviews and approves the application and plan. Also, after the Department designates an area as an enterprise development zone, it certifies the business as eligible for tax benefits.

6. In order to claim development zone credits, the business must receive verification of the expenses for which the credits are claimed from the Department of Commerce. The Department generally requires information that would be necessary to validate the credit claims. As a result, the business may be required to send to the Department such items as receipts related to expenditures for the sales tax, investment, location, research, environmental remediation and day care credits, and wage records related to the jobs credit. In addition, to claim the targeted jobs tax credit, the employe for whom the credit is claimed must be certified as being a member of a target group. Certification is done by a local governmental agency, usually a Jobs Service Office of the Department of Workforce Development. The agency gives the employer a certification form. This certification must also be included in the verification information sent to Commerce. Commerce reviews the materials submitted and sends the business a statement verifying the expenses as eligible for credits.

7. One rationale given for consolidating the current eight development zone credits into one credit composed of two components is that it would simplify the process of claiming development zone credits. As noted, under current law, the business must submit information related to expenses incurred for each of the different credits. In addition, the certification for tax benefits and verification statements for each credit must be included with the tax return that is submitted to DOR. Commerce and DOR staff have indicated that many businesses have complained about the complexity and paperwork associated with the verification process for eight different credits. They note that many businesses, particularly small businesses, are currently discouraged from participating in the development zone and enterprise development zone programs. It is believed that simplifying and streamlining the development zone credits into a single, two-component credit will encourage more businesses to participate in the program. Moreover, the amount of both the jobs and environmental remediation credits would be substantially increased; this would offset loss of the other credits. (Attachment 2 is a copy of the return that must be filed with DOR to claim development zone credits. The form for enterprise development zone credits is basically the same.)

8. When development zone credits are allocated to individual businesses, they are, in part, based plans for investment and employment activities over the life of the business project. As a result, many of the credit amounts allocated to individual businesses would be claimed in future years. SB 77 would essentially eliminate the current development zones credits, beginning with tax year 1998. Consequently, businesses which are allocated credit amounts for the sales tax, investment, research, location and day care credits would not be able to claim credits for the related expenses incurred for economic development activities. To the extent the business project was undertaken in anticipation of these credits, business expansions and relocation projects could

be jeopardized. On the other hand, if the intent is to offset the loss of existing credits by providing enhanced job credits for jobs created or retained for nontarget group individuals, there would be a significant distributional effect associated with the change. It is not clear that businesses would be able to claim the same amount of tax credits through the proposed jobs credit as they could through the existing development zones credits.

9. Wisconsin has an estimated 8,000 abandoned and underutilized manufacturing and commercial business sites, many of which are contaminated properties. In urban areas, many believe it would be preferable to develop existing, contaminated sites that are connected to public infrastructure, such as sewer and water services, rather developing suburban sites to which infrastructure must be extended. It is argued that many of these sites could be redeveloped if landowners had targeted assistance to finance the costs of cleanup and redevelopment. SB 77 contains a number of provisions that are part of an initiative to redevelop brownfields. One component of that initiative is the expansion of the development zones environmental remediation credit. The credit could be used in conjunction with enterprise development zones to target economic redevelopment projects to brownfield sites. It should be noted that, in SB 77, the credit would increase from 7.5% of eligible expenditures to 100% of the amount expended for environmental remediation. However, the administration has indicated that the credit should equal 50% of amounts expended for environmental remediation. A modification is necessary to conform the bill to the administration's intent.

10. SB 77 would include a number of significant modifications to the current development zone jobs credit which are designed to increase the incentive to create jobs. In general, the amount of credit that could be claimed would be increased for employing both target and nontarget group members. In part, this is to offset the loss of other development zones credits. The maximum credit for hiring a member of a target group would be $6,500. In addition, a credit of $6,500 would be provided for each job retained and filled by a member of a target group. The definition of target group would be expanded to include W-2 participants and residents of federal empowerment or enterprise communities. Also, the employe would have to receive pay equal to at least 150% of federal minimum wage ($7.73 per hour beginning September 1, 1997). This compares with the current maximum jobs tax credit of $2,600 for the first two years ($5,200) of wages of a target group member and the current maximum $3,250 for the first two years of wages of individuals in W-2 trial jobs.

Under the bill, a maximum credit of $4,000 is provided for each full-time job created or retained that would be filled by an individual who was not a member of a targeted group. Consequently, a credit could be claimed for hiring individuals who were not members of a targeted group and were also not residents of the development zone or enterprise development zone. Under current law, a credit, up to a maximum of $1,200, can be claimed for an amount equal to 10% of the wages earned during the first two years of employment by an employe who is a resident of the zone.

11. Overall, economic literature on the effectiveness of enterprise zone tax incentives is inconclusive in that different studies have reached, to varying degrees, both positive and negative results. Some of the positive economic studies have found: (a) growth rates of gross job increases were higher than the national rate in certain zones; (b) when the multiplier effect is taken into account, $1.90 in state and local taxes was generated for every dollar of incentives received in New Jersey zones; and (c) unemployment claims dropped by about 19% following zone designation in Indiana. Conversely, other studies have determined that the program did not influence employment growth in three Maryland zones and the Indiana program did not affect the level of inventories and investment in machinery and equipment in zones.

Although the empirical evidence on the effectiveness of enterprise zones in increasing jobs and investment is generally inconclusive, the evidence is moderately positive for areas with potential for economic growth. In addition, the literature does provide some consensus that tax incentives alone will not lead to economic growth, particularly in the most distressed areas. It appears that any tax incentives should be part of a comprehensive economic development strategy. From this view, the effectiveness of the tax credits will be dependent on other economic development activities promoted and undertaken in the zones by state and local officials (for example, infrastructure improvements constructed by communities). Such economic development activities by state and local officials are generally provided through the development zone and enterprise development zone programs. However, the zone designation criteria may not always ensure that an economically viable area would be selected.

12. SB 77 does not include a fiscal effect for consolidating the current development zone credits into two components. It is believed that the reduction in the amounts claimed for the current credits that will be eliminated will offset any additional amounts claimed for the expanded jobs and environmental remediation credits. Moreover, the new credits would first be available for tax year 1998. The process of Commerce allocating amounts to zones, the zones allocating the credits to individual businesses (in the case of development zones) and then the businesses taking the action to claim the credits would delay any significant fiscal effect beyond the current biennium. It should 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 aggregate statistics from the Department of Revenue a total of $2.7 million in development zone credits was claimed through tax year 1995. The fiscal effect of prior year law changes related to the development zone credits (such as creation of the enterprise development zone program) are reflected in current revenue estimates for 1997-99.

Program Modifications

13. Under the provisions of SB 77, the new environmental remediation credit would equal the entire amount of eligible expenses incurred by the business. However, the administration has indicated that the credit should equal 50% of eligible expenses. The Committee may wish to include this modification in the bill.

14. SB 77 would include a Wisconsin Works participant as a member of a target group for the purposes of the jobs tax credit. The bill does not define a W-2 participant. Commerce has indicated that it intended that the credit be available to the following W-2 participants:

(a) Persons in unsubsidized employment when the person meets the eligibility requirements for a W-2 employment position. The intent of this provision is to cover individuals who are eligible for W-2 and obtain an unsubsidized job while their application is pending.

(b) Persons in trial jobs. Commerce would decrease the amount of the tax credit by the amount of the subsidy the employer receives. Commerce currently does this in connection with the work supplementation program.

(c) Persons receiving W-2 health care or child care assistance.

The Committee may wish to include these items in the bill.

15. The bill intends to replace the current development zone credits with the new credit for taxable years beginning on or after January 1, 1998; however, there are no changes made to terminate the current tax credits. Claimants may assert that the new law change does not prohibit them from claiming the current development zone credits for day care, environmental remediation, investment, jobs, location, sales tax and research. The bill merely eliminates the requirement that the Department of Commerce verify the expenses for these credits. The Committee may wish to include provisions which eliminate the credits but allow carryforward of prior year credits.

16. SB 77 provides a jobs credit for jobs that are retained. Commerce would be authorized to determine the individuals that would be eligible and the length of time that they must be employed in order to claim the credit. However, the Committee may wish to include a statutory provision that would prevent businesses from claiming the credit for individuals for whom they have received jobs credits under the current provisions.

17. The new, consolidated development zones credit does not require the claimant to attach a copy of the Department of Commerce's verification of the allowable credit to the Wisconsin income or franchise tax return. Although the Department of Revenue has the general authority to request information needed to enforce the franchise and income tax law, the absence of this documentation (required for current development zone credits) will decrease DOR's ability

to process and audit the credit claims in an efficient and timely manner. The Committee may wish to include a provision which requires claimants to include the claimant's certification for tax benefits and statement of verification for eligible expenses.

ALTERNATIVES TO BILL

A. Development Zone Credits

1. Adopt the Governor's recommendation to eliminate the current development zones tax credits from the definition of tax benefits that are provided through the state development zone, development opportunity zone and enterprise development zone program, starting with tax years that begin on January 1, 1998. To replace the current credits, a new, consolidated development zones credit, based on amounts spent on environmental remediation and the number of full-time jobs created or retained, would be provided.

2. Maintain current law.

B. Program Modifications

Adopt one or more of the following modifications to the provisions of the bill:

a. Specify that the environmental remediation credit equals 50% of eligible expenses.

b. Define Wisconsin Works participant as a person who: (a) is employed in an unsubsidized job but meets eligibility requirements for a W-2 employment position; (b) a person who is employed in a trial job; and (c) a person who is eligible for W-2 health care or child care assistance. Require Commerce to reduce the credit amount for persons in trial jobs by the amount of subsidy received.

c. Specify that the current development zones credits are eliminated for tax years beginning on or after January 1, 1998. Permit the carryforward of unused credits from prior years.

d. Specify that the new credit for jobs retained cannot be claimed for an employe for whom jobs credits have been claimed under current law.

e. Require claimants of the new, consolidated credit to submit, along with their return, the certification for tax benefits and a statement of verification of expenses from Commerce.

Prepared by: Ron Shanovich

VOTE ONLY →

252

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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

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Pass out

ATTACHMENT 1

Development Zone, Enterprise Development Zone and Development Opportunity Zones

TABLE 1: Development Zone Program

Zone Location	Year of Designation	Total Credits Allocated to Zone*	Amount of Credits Allocated to Businesses*	Number of Businesses Certified*
Beloit	1989	$1,250,000	$763,061	7
Iron County	1989	1,026,000	601,233	17
Manitowoc	1989	2,258,831**	1,745,431	17
Milwaukee	1989	5,285,074**	5,082,505	79
Racine	1989	2,226,145**	1,532,252	18
Stockbridge-Munsee	1989	400,000	17,630	1
Sturgeon Bay	1989	2,408,950**	1,527,074	40
Superior	1989	1,650,000**	1,309,007	25
Fond du Lac	1991	1,250,000	526,931	17
Green Bay	1991	1,500,000	1,365,125	20
Lac du Flambeau	1991	750,000	485,125	5
Richland Center/ Town of Richland	1991	750,000	551,713	13
Eau Claire	1995	1,500,000	1,451,102	30
Two Rivers	1995	750,000	544,446	11
Janesville	1996	1,000,000	NA	NA
Lincoln, Langlade, Florence and Forest Counties	1996	750,000	118,641	5
Grant and Lafayette Counties	1996	1,000,000	184,210	11
Juneau, Adams and Marquette Counties	1996	1,000,000	40,400	1
Totals		$26,755,000	$17,845,886	317

*Through March, 1997.
**Includes additional allocations under provisions of 1995 Wisconsin Act 209.

ATTACHMENT 1 (continued)

Development Zone, Enterprise Development Zone and Development Opportunity Zones

TABLE 2: Enterprise Development Zone Program

Zone Location	Company Name	Certification Date	Credit Allocation
New Berlin	QUAD/Graphics	Aug 14, 1995	$3,000,000
Weyauwega	Summit Performance Systems	Aug 22, 1995	900,000
Eau Claire	W.L. Gore	Sep 19, 1995	1,756,667
Oconto	Cera-Mite Corp	Nov 1, 1995	900,000
Neillsville	Leeson Electric	Dec 11, 1995	900,000
Marinette	Karl Schmidt Unisia	Jan 12, 1996	2,100,000
Menomonee Falls	Strong Capital Management, Inc.	Feb 12, 1996	3,000,000
Wisconsin Rapids	Advantage Learning Systems, Inc.	Feb 13, 1996	2,000,000
Kenosha	Chrysler Corp	Apr 1, 1996	3,000,000
Franklin	Harley-Davidson Motor Company	Apr 1, 1996	1,200,000
Milwaukee	Waldorf Corp	Jun 28, 1996	1,200,000
Shawano	Aarrowcast, Inc.	Jul 4, 1996	1,068,000
Chippewa Falls	Johnson Mathey, Inc.	Aug 1, 1996	2,750,000
Prairie du Chien	Cabela's of Wisconsin	Aug 29, 1996	2,000,000
Brookfield	Ameritech	Sept. 19, 1996	3,000,000
Menomonee Falls and Wauwatosa	Harley-Davidson Motor Company	Sept 27, 1996	2,400,000
Ladysmith	Weathersheild	Oct. 25, 1996	1,200,000
Green Bay and Manitowoc	Krueger International	Jan. 10, 1997	1,050,000
Platteville	Penda Corp.	Jan. 20, 1997	750,000
Total			$34,174,667

TABLE 3: Development Opportunity Zone Program

Zone Location	Company Name	Certification Date	Credit Allocation
West Allis*	QUAD/Graphics	Apr 23, 1994	$3,000,000
Beloit*	Reynolds Wheels International	Apr 23, 1994	2,774,000
Eau Claire	Hutchison Technologies,Inc.	Apr 28, 1995	3,000,000

*Expired April 23, 1997.

Wisconsin Development Zone Credits

(Attach to Wisconsin Form 1, 1NPR, 2, 3, 4, 4I, 4T, 5, or 5S)

1996

Name | Identifying Number

Schedule **DC**

Wisconsin Department of Revenue

Part I Jobs Credit

1 Enter number of employes and total qualified wages paid or incurred during the taxable year (up to $3,000 for each qualified summer youth employe and up to $6,000 for each other employe) for services, in a development zone, of employes who are certified as members of a targeted group or residents of the development zone:

		Number of Employes		Total Qualified Wages
First-year employes	1a		1b	
Second-year employes	1c		1d	
Qualified summer youth employes	1e		1f	
Development zone residents	1g		1h	

2	Enter 40% of line 1b	2
3	Enter 40% of line 1d	3
4	Enter 40% of line 1f	4
5	Enter 10% of line 1h	5
6	Add lines 2 through 5. This is the jobs credit before pass-through credits	6
7	Enter jobs credit passed through from other entities	7
8	Add lines 6 and 7. This is the total jobs credit	8

Part II Sales Tax Credit

9	Enter total amount paid for purchase, lease, or rental of eligible property	9	
10	Enter amount of Wisconsin state sales and use tax paid that is included in amount on line 9		10
11	Enter amount of Wisconsin county and stadium sales and use taxes paid that is included in amount on line 9		11
12	Add lines 10 and 11. This is the sales tax credit before pass-through credits		12
13	Enter sales tax credit passed through from other entities		13
14	Add lines 12 and 13. This is the total current year sales tax credit		14

Part III Research Credit

15	Enter the amount of Wisconsin development zone research expenses included on Schedule R, line 5	15
16	Wages included on line 15 which qualify for the Wisconsin development zone jobs credit	16
17	Subtract line 16 from line 15	17
18	Enter average annual Wisconsin gross receipts from Schedule R, line 8	18
19	Enter fixed-base percentage, but not more than 16% (see instructions)	19
20	Multiply line 18 by percentage on line 19. This is the base amount	20
21	Subtract line 20 from line 17	21
22	Limitation — Enter 50% of line 17	22
23	Enter smaller of line 21 or line 22	23
24	Enter 5% of line 23. This is the current year research credit	24
25	Carryover of unused research credit	25
26	Add lines 24 and 25. This is the available research credit	26

Part IV Investment Credit

27 Enter the purchase price of depreciable, tangible personal property purchased during the taxable year that is used in the conduct of business in a location in a development zone:

a	Qualified purchases expensed under IRC section 179	27a
b	Qualified purchases not expensed under IRC section 179	27b

28	Enter 1.75% of line 27a	28
29	Enter 2.5% of line 27b	29
30	Add lines 28 and 29. This is the investment credit before pass-through credits	30
31	Enter investment credit passed through from other entities	31
32	Add lines 30 and 31. This is the total current year investment credit	32
33	Carryover of unused investment credit	33
34	Add lines 32 and 33. This is the available investment credit (see instructions)	34

continued on page 2

Part V Location Credit

35 Enter the total amount expended during the taxable year to acquire, construct, rehabilitate, remodel, or repair qualified real property located in a development zone 35

36 Enter 2.5% of line 35. This is the location credit before pass-through credits 36

37 Enter location credit passed through from other entities 37

38 Add lines 36 and 37. This is the total current year location credit 38

39 Carryover of unused location credit 39

40 Add lines 38 and 39. This is the available location credit (see instructions) 40

Part VI Day Care Credit

41 Enter number of qualifying individuals for whom employment-related day care expenses were paid or incurred during the taxable year to enable employes who are certified as members of a targeted group to be employed in a development zone 41

42 Enter total amount paid for employment-related day care for qualifying individuals included on line 41, but not more than $1,200 for each qualifying individual. This is the day care credit before pass-through credits 42

43 Enter day care credit passed through from other entities 43

44 Add lines 42 and 43. This is the total current year day care credit 44

45 Carryover of unused day care credit 45

46 Add lines 44 and 45. This is the available day care credit (see instructions) 46

Part VII Environmental Remediation Credit

47 Enter total amount paid during the taxable year to remove or contain environmental pollution, or to restore soil or groundwater that is affected by environmental pollution, in a development zone 47

48 Enter 7.5% of line 47. This is the environmental remediation credit before pass-through credits 48

49 Enter environmental remediation credit passed through from other entities 49

50 Add lines 48 and 49. This is the total current year environmental remediation credit 50

51 Carryover of unused environmental remediation credit 51

52 Add lines 50 and 51. This is the available environmental remediation credit (see instructions) 52

Part VIII Individuals, Estates, and Trusts — Limitation on Tax Credits

53 Enter Wisconsin net income from Form 1, line 5; Form 1NPR, line 32, or Form 2, line 5 53

54 Enter Wisconsin net income (loss) from development zone business operations . . 54

55 Enter Wisconsin net income (loss) from directly related business operations 55

56 Add lines 54 and 55. If the result is a net loss, enter zero here and on lines 63, 65, 67, and 69 56

57 Divide amount on line 56 by amount on line 53 and enter ratio. If line 56 is larger than line 53, enter 1.00 . . . 57 .

58 Enter tax from Form 1, line 14; Form 1NPR, line 41; or Form 2, line 10 58

59 Enter married couple credit from Form 1, Schedule 4, or Form 1NPR, Schedule 2 59

60 Subtract line 59 from line 58. If the result is a net loss, enter zero here and on lines 63, 65, 67, and 69 60

61 Enter ratio from line 57 . . . . . 61 .

62 Multiply amount on line 60 by ratio on line 61 62

63 Enter smaller of line 62 or line 34, page 1. This is the allowable investment credit 63

64 Subtract line 63 from line 62 64

65 Enter smaller of line 64 or line 40, above. This is the allowable location credit 65

66 Subtract line 65 from line 64 66

67 Enter smaller of line 66 or line 46, above. This is the allowable day care credit 67

68 Subtract line 67 from line 66 68

69 Enter smaller of line 68 or line 52, above. This is the allowable environmental remediation credit 69

continued on page 3

Part IX Corporations — Limitation on Tax Credits

70	Enter tax from Form 4, line 14; Form 5, line 8; Form 4I, line 18; or Form 4T, line 8		70
71	Enter manufacturer's sales tax credit from Form 4, 4I, 4T, or 5, Schedule Z	71	
72	Enter research credits from Schedule R	72	
73	Enter research credit from line 26, page 1	73	
74	Enter community development finance credit	74	
75	Add lines 71 through 74		75
76	Subtract line 75 from line 70. If the result is zero or less, enter zero here and on lines 82, 84, 86, and 88		76
77	Enter Wisconsin net income (loss) from development zone business operations	77	
78	Enter Wisconsin net income (loss) from directly related business operations	78	
79	Add lines 77 and 78. If the result is a net loss, enter zero here and on lines 82, 84, 86, and 88		79
80	Enter 7.9% of the amount on line 79		80
81	Enter smaller of line 76 or 80		81
82	Enter smaller of line 81 or line 34, page 1. This is the allowable investment credit		82
83	Subtract line 82 from line 81		83
84	Enter smaller of line 83 or line 40, page 2. This is the allowable location credit		84
85	Subtract line 84 from line 83		85
86	Enter smaller of line 85 or line 46, page 2. This is the allowable day care credit		86
87	Subtract line 86 from line 85		87
88	Enter smaller of line 87 or line 52, page 2. This is the allowable environmental remediation credit		88

Part X Recapture of Investment Credit

			Properties A	Properties B	Properties C
89	Enter kind of property	89			
90	Date property was placed in service	90			
91	Original estimated useful life or recovery period	91			
92	Original credit	92			
93	Date property ceased to be qualified investment credit property	93			
94	Number of full years between the dates on lines 90 and 93	94			
95	Recapture percentage (from instructions)	95			
96	Multiply line 92 by the percentage on line 95	96			

97	Add line 96, columns A through C, plus any amounts from separate schedules	97
98	Portion of original credit (line 92) not used to offset tax in any year, plus any carryforward of credits you can now apply to the original credit year	98
99	Subtract line 98 from line 97. This is the total increase in tax	99

COMMERCE

Development Zone Tax Credits

Motion:

Move to modify the provisions of SB 77 that relate to development zone tax credits as follows:

a. Reduce from $4,000 to $2,000, the maximum credit for full-time jobs created or retained for individuals who are not members of a target group;

b. Continue to include the day care and investment credits in the definition of tax benefits provided through the development zone, enterprise development zone and opportunity development zone tax credits.

Note:

Wisconsin has three programs which provide tax credits to businesses as incentives to expand and locate in designated economically distressed areas--the development zone, enterprise development zone and development opportunity zone programs. The programs are intended to promote economic growth through job creation and investment in the 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. Businesses which locate or expand in the different zones are eligible to receive various tax credits.

Eligible businesses which conduct economic activity in development, development opportunity or enterprise development zones may claim the following tax credits:

Jobs Credit. A credit, based on the federal targeted jobs tax credit, equal to 20% of the first $13,000 ($2,600) of qualified first- and second-year wages for each targeted employe hired. In addition, the credit equals 25% of the first $13,000 ($3,250) of qualified first- and second-year wages for an applicant for a Wisconsin Works (W-2) employment position for service either in an unsubsidized position or in a trial job. Finally, a credit can be claimed for an amount equal

to 10% of the wages earned by an employe who is a resident of a zone during the first two years of employment, up to a maximum of $1,200.

Investment Credit. A credit equal to 2.5% of the purchase price of depreciable tangible personal property placed in service in the zone.

Location Credit. A credit equal to 2.5% of the amount expended on certified projects to acquire, construct, rehabilitate, remodel, repair and place in service real property in a zone.

Sales Tax Credit. A credit for the amount of sales taxes paid on purchases, leases and rentals of construction materials and supplies and related materials used to construct, rehabilitate, repair or remodel real and investment credit property in a zone.

Research Credit. Under current law, a corporation can claim a tax credit for 5% of certain increased research expenses. Eligible businesses can claim an additional credit of 5% of eligible research expenses incurred in a zone.

Day Care Credit. A credit for employment-related day care expenses, up to a maximum of $1,200 for the first two years of qualifying expenses, for each qualified dependent of a member of a targeted group who is employed by the claimant. This credit is only available to claimants who begin operations in a zone after July 29, 1995.

Environmental Remediation Credit. A credit for 7.5% of the amount expended by the claimant to remove or contain environmental pollution or to restore soil or groundwater affected by environmental pollution in a zone. This credit is only available to claimants who begin operations in a zone after July 29, 1995.

Senate Bill 77 would eliminate the current development zone tax credits from the definition of tax benefits that are provided through the state development zone, development opportunity zone and enterprise development zone programs, starting with tax years that begin on January 1, 1998. To replace the current credits, a new, consolidated development zone credit, based on amounts spent on environmental remediation and the number of full-time jobs created or retained, would be provided. The new development zone credit would be determined as follows:

a. *Environmental Remediation Component.* A credit could be claimed for the amount expended for environmental remediation in a development, development opportunity or enterprise development zone. "Environmental remediation" would be defined as removal or containment of environmental pollution, and restoration of soil or groundwater that is affected by environmental pollution in a brownfield if removal, containment or restoration began after the area that contains the site where the work was done was designated a development, development opportunity or enterprise development zone.

b. *Full-Time Jobs Component.* A credit of up to $6,500 could be claimed for each full-time job created or retained in a development, development opportunity, or enterprise

252

development zone and filled by a member of a targeted group. In addition, a credit of up to $4,000 could be claimed for each full-time job created or retained that was filled by an individual who was not a member of a targeted group.

This motion would modify provisions of SB 77 to reduce the jobs tax credit for nontargeted individuals from $4,000 to $2,000, and continue to provide the day care and investment development zone credits.

This motion would not have a fiscal effect in the 1997-99 biennium. The reduction in the amounts claimed for the current credits that will be eliminated would offset additional amounts claimed for the expanded jobs and environmental remediation credits. Moreover, the new credits would first be available for tax year 1998. The process of Commerce allocating amounts to zones, the zones allocating the credits to individual businesses (in the case of development zones) and then the businesses taking the action to claim the credits would delay any significant fiscal effect beyond the current biennium. It should 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.

MO# 1105

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
1 BURKE	Y	N	A
2 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

Funding Set-Aside for Women's Business Initiative Corporation

Motion:

Move to authorize the Department of Commerce to make a grant of up to $125,000 annually from the Community-Based Economic Development program appropriation to the Women's Business Initiative Corporation if all of the following apply:

a. The Women's Business Initiative Corporation submits a plan to the Department detailing the proposed use of the grant and the Secretary of Commerce approves the plan.

b. The Women's Business Initiative Corporation agrees in a written agreement with the Department that specifies the conditions for the use of grant proceeds, including reporting and auditing requirements.

c. The Women's Business Initiative Corporation agrees in writing to provide services to individuals throughout the state.

d. The Women's Business Initiative Corporation agrees in writing to submit to the Department, within 6 months after spending the full amount of the grant, a report detailing how the proceeds were used.

Note:

Under the provisions of SB 77, funding of $777,100 GPR would annually be provided to fund community-based economic development programs. The Community-Based Economic Development (CBED) program provides grants to community-based organizations, business incubator grants, economic diversification grants and regional economic development grants.

Business Assistance Grants. Commerce may make a grant of the lesser of $20,000 or 75% of the cost of the project to community-based organizations to conduct local economic development projects or to provide assistance to businesses or entrepreneurs. Grants made to assist a small business in planning a start-up or expansion may be used for feasibility studies, financial plans, training and similar types of expenses. Grants made to assist local development

252

projects may be made for developing project plans for industrial parks, downtown business districts, public infrastructure projects and training economic development staff.

Business Incubator Grants. Grants may be made to a community-based organization for any of the following:

a. Up to $30,000 to fund the operation of an existing business incubator or existing technology-based incubator;

b. Up to $10,000 to provide technical assistance in the process of starting a business or technology-based incubator, including planning, engineering, architectural and legal services and assistance in preparation of feasibility studies and business plans;

c. Up to $100,000 to start a new business or technology-based incubator by financing the construction, expansion or rehabilitation of the incubator; and

d. Up to $50,000 to create a revolving loan fund for tenants of a business or technology-based incubator.

Economic Diversification Grants. Commerce may make grants of the lesser of $10,000 or 75% of the project cost to political subdivisions to develop plans to diversify the local economy.

Regional Economic Development Grants. Grants of up to $100,000 or 10% of the total amount appropriated for the CBED program may be awarded to a community-based organization for regional development activity if certain conditions are met.

This motion would authorize Commerce to make a grant of up to $125,000 in each year of the biennium to the Women's Business Initiative Corporation from the CBED program if certain planning and reporting requirements were met. The Women's Business Initiative Corporation previously received CBED grants of $125,000 in fiscal years 1990-91 through 1992-93 and $80,000 in fiscal years 1993-94 and 1994-95.

The motion authorizes the use of existing funding for a specific purpose; no additional funding is provided. Consequently, the motion has no fiscal effect.

MO# 1101

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

Senator Jauch

COMMERCE

Community-Based Economic Development Program--Revolving Loan Fund Grants

Motion:

Move to authorize the Department of Commerce to make grants of up to $75,000 to community-based organizations to create revolving loan funds for loans to small businesses. Define small business to be a business that employes fewer than 100 persons. Grant Commerce authority to promulgate rules that would be necessary to administer the program.

Note:

Under the provisions of SB 77, funding of $777,100 GPR would annually be provided to fund community-based economic development programs. The Community-Based Economic Development (CBED) program provides grants to community-based organizations, business incubator grants, economic diversification grants and regional economic development grants.

Business Assistance Grants. Commerce may make a grant of the lesser of $20,000 or 75% of the cost of the project to community-based organizations to conduct local economic development projects or to provide assistance to businesses or entrepreneurs. Grants made to assist a small business in planning a start-up or expansion may be used for feasibility studies, financial plans, training and similar types of expenses. Grants made to assist local development projects may be made for developing project plans for industrial parks, downtown business districts, public infrastructure projects and training economic development staff.

Business Incubator Grants. Grants may be made to a community-based organization for any of the following:

a. Up to $30,000 to fund the operation of an existing business incubator or existing technology-based incubator;

b. Up to $10,000 to provide technical assistance in the process of starting a business or technology-based incubator, including planning, engineering, architectural and legal services and assistance in preparation of feasibility studies and business plans;

252

c. Up to $100,000 to start a new business or technology-based incubator by financing the construction, expansion or rehabilitation of the incubator; and

d. Up to $50,000 to create a revolving loan fund for tenants of a business or technology-based incubator.

Economic Diversification Grants. Commerce may make grants of the lesser of $10,000 or 75% of the project cost to political subdivisions to develop plans to diversify the local economy.

Regional Economic Development Grants. Grants of up to $100,000 or 10% of the total amount appropriated for the CBED program may be awarded to a community-based organization for regional development activity if certain conditions are met.

This motion would authorize Commerce to make a grant of up to $75,000 to community-based organizations to establish revolving loans to small businesses.

The motion authorizes the use of existing funding for a specific purpose; no additional funding is provided. Consequently, the motion has no fiscal effect.

MO# #1127

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
2 LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
1 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

252

Senator Burke

COMMERCE

Downtown Wisconsin Fund Study

Motion:

Move to require the Department of Commerce to study the possibility of creating a "Downtown Wisconsin" fund to provide financial assistance to small and medium sized municipalities to assist in making downtown commercial districts vibrant and economically healthy, preserve farmland and prevent urban sprawl. Require the study to include the potential for coordinating assistance through the current heritage tourism and main street programs. Direct the Department to report to the Joint Committee on Finance at its second quarterly meeting under s. 13.10 in 1997-98 (December 1997).

MO# 1108

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
1 BURKE	✓Y	N	A
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 #1108

Senator Panzer

COMMERCE

Building and Environmental Regulation

Identification of Oxygenates in Reformulated Gasoline

Motion:

Move to make the following modifications to labeling of devices that dispense, for sale at retail, reformulated gasoline:

a. Require that the label on the dispensing device shall be marked with the identity of the oxygenate or oxygenates contained in the fuel and delete the specific references to "methyl tertiary butyl ether (MTBE)" and "ethyl tertiary butyl ether (ETBE)."

b. Direct Commerce to promulgate revised administrative rules for labeling that consider incorporating the uniform laws and regulations in the areas of legal metrology and engine fuel quality, as adopted by the National Conference on Weights and Measures.

c. Direct Commerce to submit the revised rules to the Legislative Council staff no later than the first day of the seventh month beginning after the effective date of the biennial budget act.

d. Specify that the change in labeling requirements would take effect on the first day of the 13th month beginning after the effective date of the biennial budget act.

Note:

Current law requires a device that dispenses for retail sale a reformulated gasoline that contains an oxygenate other than ethanol to be marked or labeled at all times with the identity of the oxygenate. The label must identify the oxygenate as "methyl tertiary butyl ether (MTBE)" or "ethyl tertiary butyl ether (ETBE)" or, if the reformulated gasoline contains another oxygenate, or combination of oxygenates, the label must identify the oxygenates as specified in rules promulgated by Commerce. The motion would delete the specific references to the two oxygenates.

Motion #2040

VOTE OVER →

252

MO# 2040

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
1 PANZER	Y	N	A

AYE 15 NO 0 ABS 1

Senator Panzer

COMMERCE

Development Zone Tax Credit

Motion:

Move to allow the costs of an investigation to be an eligible cost for the purpose of claiming the environmental remediation component of the development zone tax credit, except in cases where the investigation determines that remediation is required and remediation is not undertaken. Also, specify that the credit can be claimed for 50% of the annual amounts expended for environmental remediation.

Note:

Senate Bill 77 would eliminate the current development zone tax credits from the definition of tax benefits that are provided through the state development zone, development opportunity zone and enterprise development zone programs, starting with tax years that begin on January 1, 1998. To replace the current credits, a new, consolidated development zone credit, based on amounts spent on environmental remediation and the number of full-time jobs created or retained, would be provided. The new development zone credit would be determined as follows:

a. *Environmental Remediation Component.* A credit could be claimed for the amount expended for environmental remediation in a development, development opportunity or enterprise development zone. "Environmental remediation" would be defined as removal or containment of environmental pollution, and restoration of soil or groundwater that is affected by environmental pollution in a brownfield if removal, containment or restoration began after the area that contains the site where the work was done was designated a development, development opportunity or enterprise development zone. "Environmental pollution" means the contaminating or rendering unclean or impure the air, land or waters of the state, or making the same injurious to public health, harmful for commercial or recreational use, or deleterious to fish, bird, animal or plant life. "Brownfield" would be defined as an industrial or commercial facility the expansion or redevelopment of which is complicated by environmental contamination.

b. *Full-Time Jobs Component.* A credit of up to $6,500 could be claimed for each full-time job created or retained in a development, development opportunity, or enterprise development zone and filled by a member of a targeted group. In addition, a credit of up to

$4,000 could be claimed for each full-time job created or retained that was filled by an individual who was not a member of a targeted group.

The Department of Commerce would be authorized to promulgate rules that would further define a person's eligibility for tax benefits under the development zone, opportunity development zone and enterprise development zone programs.

This motion would include the costs incurred for investigation as eligible for the environmental remediation credit, except in cases where the investigation determined remediation was necessary and none was undertaken. Also, the motion would specify that the credit could be claimed for 50% of remediation expenses and clarify that the credit could be claimed for costs incurred during the remediation project rather than when the project was complete. The administration indicates that its intent was to provide a 50% remediation credit, rather than a 100% credit, as drafted in the bill.

MO# 1577

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

Representative Linton

COMMERCE

American Indian Technical Assistance Funding

Motion:

Move to provide $25,000 GPR annually to the American Indian economic development technical assistance grant appropriation and $8,500 GPR annually to the American Indian economic development liaison grants appropriation.

Note:

A program planning analyst in the Department of Commerce's Division of Community Development provides technical and economic development assistance to Native American entrepreneurs and tribal communities. The Department also administers two grant programs which provide funds to the Great Lakes Inter-Tribal Council (GLITC)--an economic development liaison grant and an economic development technical assistance grant.

Economic Development Liaison Grant. The economic development liaison grant program provides monies to the council to partially fund a Council liaison between American Indians, Indian businesses and Indian tribes interested in targeted economic assistance programs and the state agencies that administer them. A targeted economic assistance program is a program or form of assistance available to an American Indian, an Indian business or an Indian tribe that is administered by a state agency and that relates to any of the following: (a) economic development; (b) community development; (c) increasing employment among American Indians; (d) minority business certification under state law; and (d) other assistance Commerce considers relevant. Base funding of $25,000 is provided for the economic development liaison grant to the Council.

Technical Assistance Grant. Funding is appropriated for annual grants to the Great Lakes Inter-Tribal Council (GLITC) to provide technical assistance for economic development on Indian reservations. Eligible entities include: tribal enterprises; indian businesses located on Indian reservations; and other Indian businesses that directly benefit the economies of Indian reservations.

VOTE OVER →

252

A tribal enterprise is a business that is: (a) at least 51% owned and controlled by the governing body of one or more Indian tribes; (b) actively managed by the governing body or the designee of the governing body of one or more Indian tribes; and (c) currently performing a useful business function.

The types of assistance provided includes:

(a) Management assistance to existing businesses;
(b) Start-up assistance to new businesses, including the development of business and marketing plans and assistance in securing development financing; and
(c) Technical assistance to new and existing businesses in gaining access to tribal, state and federal business assistance and financing programs.

GLITC is prohibited from providing technical assistance for commercial gaming and gambling activities under this program. Base funding of $25,000 is provided in Commerce for making grants to GLITC to finance this program.

This motion would increase annual funding to $33,500 GPR for the economic development liaison grant appropriations and $50,000 for the technical assistance grant appropriation.

[Change to Bill: $67,000 GPR]

MO# #985

JENSEN	Y	~~N~~	A
OURADA	Y	~~N~~	A
HARSDORF	Y	~~N~~	A
ALBERS	Y	~~N~~	A
GARD	~~Y~~	N	A
KAUFERT	Y	~~N~~	A
1 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 4 NO 8 ABS ____

252

Representative Jensen

COMMERCE

Study on Home-Based Businesses

Motion:

Move to require the Department of Commerce to conduct a study on the barriers to starting and operating home-based businesses and on encouraging further development of home-based businesses in the state and to deliver the study to the appropriate standing committees of the Legislature on or before January 1, 1998.

MO# 1107

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 14 NO 1 ABS 1

Motion #1107

Representative Jensen

COMMERCE

Grants to Private Foundations that Teach Entrepreneurship

Motion:

Move to authorize the Department of Commerce to award grants through the Community-Based Economic Development program to the National Foundation for Teaching Entrepreneurship and similar organizations or foundations that teach business skills to disadvantaged and at-risk children. Require that the grants be used for costs associated with the teaching of skills and business knowledge necessary to found and maintain an enterprise.

Note:

Under the provisions of SB 77, funding of $777,100 GPR would annually be provided to fund community-based economic development programs. The Community-Based Economic Development (CBED) program provides grants to community-based organizations, business incubator grants, economic diversification grants and regional economic development grants.

Business Assistance Grants. Commerce may make a grant of the lesser of $20,000 or 75% of the cost of the project to community-based organizations to conduct local economic development projects or to provide assistance to businesses or entrepreneurs. Grants made to assist a small business in planning a start-up or expansion may be used for feasibility studies, financial plans, training and similar types of expenses. Grants made to assist local development projects may be made for developing project plans for industrial parks, downtown business districts, public infrastructure projects and training economic development staff.

Business Incubator Grants. Grants may be made to a community-based organization for any of the following:

a. Up to $30,000 to fund the operation of an existing business incubator or existing technology-based incubator;

b. Up to $10,000 to provide technical assistance in the process of starting a business or technology-based incubator, including planning, engineering, architectural and legal services and assistance in preparation of feasibility studies and business plans;

252

c. Up to $100,000 to start a new business or technology-based incubator by financing the construction, expansion or rehabilitation of the incubator; and

d. Up to $50,000 to create a revolving loan fund for tenants of a business or technology-based incubator.

Economic Diversification Grants. Commerce may make grants of the lesser of $10,000 or 75% of the project cost to political subdivisions to develop plans to diversify the local economy.

Regional Economic Development Grants. Grants of up to $100,000 or 10% of the total amount appropriated for the CBED program may be awarded to a community-based organization for regional development activity if certain conditions are met.

This motion would authorize Commerce to make grants to the National Foundation for Teaching Entrepreneurship and other similar organizations for costs associated with teaching business skills to disadvantaged and at-risk children.

The motion authorizes the use of existing funding for a specific purpose; no additional funding is provided. Consequently, the motion has no fiscal effect.

MO# 1132

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 16 NO 0 ABS 1

COMMERCE

Departmentwide and Economic Development

LFB Summary Items for Which No Issue Papers Have Been Prepared

Item #	Title
1	Standard Budget Adjustments
10	Wisconsin Development Fund -- Funding Adjustments (except appropriation type)
11	Wisconsin Development Fund -- General Administrative Provisions (except Origination Fee)
12	Wisconsin Development Fund -- Technology Development Grant and Loan Program Modifications
13	Wisconsin Development Fund -- Modifications to the Customized Labor Training Grants and Loans Program
15	Wisconsin Development Fund -- Repeal Research Grant and Loan Program
16	Wisconsin Development Fund -- Employe Ownership Assistance Loan Program Modifications
17	Position Funding Source Conversion
18	Transfer Municipal Boundary Review to DOA
19	Transfer Plat Review to DOA
20	Eliminate Division of International and Export Services Positions
21	International Trade and Export Activities
22	Industrial Revenue Bond Fees and Rules
23c,d&f	Community-Based Economic Development Program Modifications
24	Information Technology Funding
25	GPR Transfer to Economic Development Promotion
27	Position Transfer to Administrative Services
28	Business Development Initiative Program Funding
30	Overhead Cost Allocation
32	CDBG Priority for Brownsfields Redevelopment
~~33~~	~~Establish Business Development Assistance Center~~ — UC
35	Internal Reorganization
36	Minor Transfers Between Appropriations

comes up under "Brownfields"

(over)

LFB Summary Item to be Addressed in a Subsequent Paper

Item #	Title
31	Brownsfields Grant Program

LFB Summary Items for Introduction as Separate Legislation

Item #	Title
39	Eliminate Reporting Requirements
40	Memorandum of Understanding with WHEDA
41	Economic Adjustment Program Confidentiality Exemption
42	Repeal Obsolete Statutory Provisions

1997-99 BUDGET PAPERS

Table of Contents
Thru May 21, 1997

Paper #

Administration -- Departmentwide

120 State Budget System Redesign
121 Contract Compliance Officer
122 Demographics Services
123 Shift of Positions Between Appropriations

Administration -- Office of Justice Assistance

Adolescent Pregnancy Prevention and Pregnancy Services Board

160 Adolescent Pregnancy Prevention, Pregnancy and Parenting Services

Agriculture, Trade and Consumer Protection

165 Agrichemical Cleanup Grants
166 Agrichemical Cleanup Program -- Industrial Pesticides
167 Minor Policy and Technical Changes -- Discontinued Pesticide Products
168 Agrichemical Cleanup Program Changes
169 Animal Waste Management Grants
170 Gypsy Moth Control Program Staff
171 Food Inspection Program
172 Weights and Measures Inspection Program -- Liquid Petroleum Gas
173 Agricultural Investment Aids -- Sustainable Agriculture Grants
174 County and District Fair Aids
175 Aids for Federal Dairy Policy Reform Activities
176 Program Revenue Reestimates

Arts Board

180 Funding Reduction

Paper #

Board of Commissioners of Public Lands

185 Division of Trust Lands and Investments -- Treatment of Unencumbered Year-End Operating Balances

186 Division of Trust Lands and Investments -- Apportionment of Revenues from the Sale of Sunken Logs

Board on Aging and Long-Term Care

190 Ombudsman and Volunteer Coordinator Positions

Circuit Courts

225 Circuit Court Interpreters

Clean Water Fund

230 Biennial Finance Plan

231 Clean Water Fund Statutory Changes

232 Land Recycling Loan Program

233 Safe Drinking Water Loan Program

Commerce -- Departmentwide and Economic Development

240 GPR Appropriation Structure for Rural Economic Development Program, Wisconsin Development Fund and Community-Based Economic Development Program

241 Rural Economic Development (RED) Program

242 Funding for Forward Wisconsin

243 Moving Costs

244 Economic Development Promotion Funding

245 Wisconsin Development Fund -- Loan Origination Fee

246 Manufacturing Assessment Center

247 Community-Based Economic Development Program -- Venture Capital Development Projects/Funding Level

248 Minority Business Development Finance Program Modifications

249 Repeal Badger Fund and Badger Board and Create a Mining Economic Development Grant Program

250 Modifications to Physician and Health Care Provider Loan Assistance Programs

251 Development Zone Program Changes

252 Development Zones Tax Credits

Paper #

Commerce -- Building and Environmental Regulation

265 PECFA Awards
266 PECFA -- Expert Witness Costs
267 PECFA -- Home Heating Oil Award Set-Aside
268 PECFA -- Change in Remediation Activities
269 PECFA -- Interest Cost Reimbursement
270 PECFA -- Service Providers
271 PECFA -- Ineligible Costs
272 PECFA -- Aboveground Tank Eligibility
273 PECFA -- Eligibility for Non-Upgraded Tanks
274 PECFA -- Priority for Brownfields
275 Aviation Fuel Petroleum Inspection Fee Allowance

Court of Appeals

340 Clerk of Court Staff

District Attorneys

345 Sexual Predator Prosecutors
346 Statutory Rape Prosecutor
347 Special Prosecutors
348 Additional Prosecutors

Elections Board

355 Campaign Finance Filing Fee
356 Funding for Data Base Software Conversion and Electronic Campaign Finance Report Electronic Filing Enhancement

Employe Trust Funds

360 Minor Policy and Technical Changes
361 Information Technology Funding
362 Employe Health Insurance Data Collection Activities
363 Supplies and Services Cost Increases -- Mailing and Forms Production Volume Increases

Paper #

Employment Relations

370 Minor Policy and Technical Changes
371 Additional Collective Bargaining Position
372 Training Position Funding Conversion and Associated Expenditure Authority
373 Excess Division Administrator Appointment Authority

Employment Relations Commission

380 Base Level Position Reductions

Ethics Board

385 Ethics Board Funding Shift

Financial Institutions

390 Minor Policy and Technical Changes -- Standard Budget Adjustments
391 Credit Union Examiners
392 Small Business Information Center
393 Technology-Related Requests

Gaming Board

395 Eliminate Gaming Board
396 Indian Gaming Unclassified Director Position
397 Indian Gaming Unclassified Attorney Positions
398 Indian Gaming Classified and Project Positions

Governor

405 Minor Policy and Technical Changes -- Association Dues

Paper #

Health and Family Services -- Departmentwide and Management and Technology

410 Miscellaneous Adjustments -- Care and Treatment Facilities Fuel and Utility Costs
411 Program Revenue and Segregated Funding Reestimates
412 Milwaukee Child Welfare and W-2 Liaison Position
413 DHFS Reorganization and Program Restructuring

Health and Social Services -- Medical Assistance

420 Overview of Medical Assistance Program Expenditures
421 Medical Assistance Base Reestimate
422 Selected Provider Rate Increases
423 Nursing Home Rate Increases
424 Nursing Home Formula Adjustments
425 Nursing Homes -- Delicensing Beds and the Minimum Occupancy Standard
426 Intergovernmental Transfer Program
427 Reestimate of GPR Revenues From MA Reimbursement for the State Centers
428 County Support for Certain Residents at the State Centers
429 Emergency Medical Services (EMS) Rates
430 Dental Sealants
431 Case Management Services for Women Aged 45 through 64
432 Medical Assistance Copayments
433 Validation of Hospital DRG Claims
434 Medical Assistance Eligibility Unit
435 Medical Assistance Administrative Costs Resulting from Federal Welfare Reform
436 Federal Matching Rate for MEDS Contract

Health and Family Services -- Health

440 Women's Health Initiative -- Screening and Public Awareness
441 Women's Health Initiative -- Health Insurance Program for Uninsured Children
442 State Immunization Supplement
443 HIV/AIDS Insurance Program
444 HIV/AIDS Program Reestimate
445 Primary Health Care Service Grants
446 Women, Infants and Children Supplemental Food Program Grant Match
447 Abortion Publications
448 WisconCare

Paper #

Health and Family Services -- Care and Treatment Facilities

455 Wisconsin Resource Center Staffing
456 Community Release Programs
457 State Centers -- Budget Reductions to Reflect CIP IA Placements Made During the 1995-97 Biennium
458 Mental Health Institutes -- Revised Funding Split
459 Variable Nonfood Costs
460 Deficits at the State Mental Health Institutes
461 Funding for Services Director at the Mendota Mental Health Institute

Historical Society

490 Transfers of Staff and Funding Under Standard Budget Adjustments
491 Northern Great Lakes Center
492 Unspecified Funding Reduction and Staff and Funding Reduction
493 Program and Segregated Revenue Reestimates
494 Minor Policy and Technical Changes

Insurance

505 Minor Policy and Technical Changes -- Create Administrative Services Unit and Appropriation
506 Information Technology Initiatives -- IT Contracting Costs
507 Information Technology Initiatives -- Records Imaging
508 Increased Staffing
509 Increase Travel Costs Funding
510 Expansion of Information Technology Internship Program
511 Increased Funding for Actuarial Services

Judicial Commission

Paper #

Justice

530 Minor Policy and Technical Changes -- Removal of Noncontinuing Costs
531 Budget Reductions
532 DNA Crime Lab Initiative and Fee and Replace Federal Anti-Drug Program Funds
533 Victim/Witness Assistance -- Surcharge on Juveniles
534 Eliminate Bankruptcy Positions
535 Appeals Attorney -- Sexual Predators
536 Sheriff Fees in Real Estate Sales
537 Indian Law Initiative
538 Handgun Hotline Deficit
539 Minor Policy and Technical Changes -- Sexual Predator Prosecutors

Lieutenant Governor

548 Minor Policy and Technical Changes -- Base Level Funding and Position Reductions

Lower Wisconsin State Riverway Board

Marquette Dental School

550 Dental Clinics Funding

Medical College of Wisconsin

554 Family Practice Residency Program

Military Affairs

555 National Guard Tuition Grant Program
556 Minor Policy and Technical Changes
557 Regional Emergency Response Teams Appropriation -- Level A Teams
558 Emergency Response Equipment Appropriation -- Level B Teams
559 Emergency Response Supplement Appropriation

Minnesota-Wisconsin Boundary Area Commission

Paper #

Natural Resources -- Departmentwide

575 Minor Policy and Technical Changes -- Agency Reorganization
576 Public Intervenor Support
577 Vehicle and Equipment Pools

Natural Resources -- Forests and Parks

580 Shift Stewardship Debt Service to Forestry Account
581 Forest Landowner Grant Program
582 Local Fire Department Equipment Assistance Grants
583 Highway Landscaping Initiative
584 Forest Landscape Ecology Research
585 Convert Pike Lake State Park to a Southern Forest Property
586 Campground Reservation System

Personnel Commission

Program Supplements

639 CY 97 Health Insurance Premiums
640 Private Lease Space Supplements

Public Service Commission

690 Increased Public Intervenor Funding
691 Consumer Complaint and Inquiry System
692 Executive Assistants for All Public Service Commissioners
693 Increased Assessment of Wisconsin Railroads to Fund Railroad Crossing Safety Improvements

Revenue -- Tax Administration

710 County Sales Tax Administration Appropriation Lapse
711 Telephone Tax Administration
712 Wisconsin Property Assessment Manual Update
713 Electronic Funds Transfer
714 Information Technical Funding

Paper #

Revenue -- Lottery Administration

720 Overview of Lottery Resources and Their Relationship to Sales Revenue
721 Lottery Division Reorganization
722 Ticket Printing and On-Line Communication Costs
723 Retailer Compensation and Incentive Bonus
724 Lottery Television Broadcasts
725 Instant Ticket Vending Machines
726 Lottery Vendor Fees
727 Modification of Lottery Expense Limitation
728 Multijurisdictional Lotteries
729 Lottery Advertising
730 Lottery Credit -- Distribution Formula
731 Lottery Credit -- Precertification

Shared Revenue and Property Tax Relief -- Direct Aid Payments

740 Direct Aid Payments -- Funding Level
741 Minimum and Maximum Payment Provisions
742 Payments for Municipal Services -- Garbage and Trash Disposal and Collection
743 Payments for Municipal Services -- Agency Chargebacks

Shared Revenue and Property Tax Relief -- Property Tax Credits

745 Transfers from Property Tax Relief Fund to General Fund
746 Homestead Tax Credit Reestimate
747 Homestead Tax Credit -- Definition of Household Income

State Fair Park

State Treasurer

770 Unclaimed Property Program Printing and Advertising Costs
771 Minor Policy and Technical Changes
772 Staffing Modifications

Paper #

Supreme Court

780 Circuit Court Automation Project
781 Information Technology
782 Law Library Book Inflation
783 Fees for the Sale of Court Documents
784 Personnel Specialist
785 District Court Administrative Staff -- Milwaukee County

Technology for Educational Achievement in Wisconsin Board

790 Governance of TEACH Functions
791 GPR Block Grants to School Districts
792 Block Grants to School Districts from the Common School Fund for Educational Technology
793 Block Grants to CESAs for Educational Technology
794 Educational Technology Infrastructure Loans
795 Modifications to the Current Status and Purposes of the Universal Service Fund
796 Educational Telecommunications Access Program
797 Modify DOA Educational Technology Responsibilities
798 Minor Policy and Technical Changes

Tourism

800 Sponsorship of Tourism Publications
801 Rent Increases
802 Heritage Tourism Grants
803 Travel Information Centers -- LTE Funding
804 Licensing State Symbols, Surplus Property and County Associations
805 Milwaukee Symphony Radio Show

Wisconsin Health and Educational Facilities Authority

Wisconsin Housing and Economic Development Authority

940 Safe Drinking Water Loan Guarantee Program
941 Small Business Loan Guarantee Program

Paper #

Wisconsin Technical College System

945 General Aids for Technical College Districts
946 Faculty Development Grants
947 Contracts for Youth Apprenticeship Instruction
948 Minor Policy and Technical Changes -- Position Authority

Legislative Fiscal Bureau
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May 19, 1997

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Budget Issue Papers

Attached are budget issue papers, prepared by this office, on the following portions of the budget of the Department of Transportation:

- Transportation Fund Condition
- State Highway Program (excluding funding for state highway rehabilitation, major highway development and state highway maintenance)
- Motor Vehicles
- State Patrol
- Other Divisions

These agencies have been scheduled for executive action by the Joint Committee on Finance. The meeting will be held at 9:00 a.m. on Thursday, May 22, in 119 MLK Building, Joint Finance (back of Senate Chambers).

BL/sas
Attachments

MO# Attendance

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____ NO____ ABS____

1997-99 BUDGET PAPERS

May 22, 1997

Paper #

810 Transportation Fund Condition Statement

Transportation -- State Highway Program

845 Major Highway Development -- Project Enumeration
846 Major Highway Project Selection Process
847 State Highway Maps
848 Reduce Capacity to Design Future Projects
849 Savings from Instituting Changes in Contaminated Site Remediation
850 Streamline Materials Acceptance Process
851 Eliminate Production of Certain Highway Signs
852 Discontinue Mailing Letting Reports

Transportation -- Motor Vehicles

860 Extended License Renewal Cycle
861 Operator's License and Identification Card Fee Increases
862 Digitized Driver's License Technology
863 Increased License Plate Costs
864 Single License Plate
865 Enhanced Driver Education
866 Third-Party Skills Testing for Class D Operator's Licenses
867 Special License Plate Issuance Fees
868 Registration and Titling Exemption for Certain Mobile Homes and Consolidation of Registration Categories for Camping Trailers and Mobile Homes
869 Miscellaneous Budget Adjustments
870 Sale of Accident and Citation Records

Transportation -- State Patrol

880 Mobile Data Computers
881 Breath Testing Instrument Replacement
882 Transfer Chemical Test Program to the OWI Surcharge
883 Public Safety Radio System
884 Fees for State Patrol Services

Transportation -- Other Divisions

890 Division of Business Management -- Data Processing Reductions
891 Division of Transportation Investment Management -- Project Position