Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **03-1129/2**	Introduction Number **AB-416**

Subject

Creating a planning and accountability mechanism for administering public subsidies to businesses

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget ☒ Yes ☐ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☐ Indeterminate

1. ☒ Increase Costs
   ☒ Permissive ☐ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue
   ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☒ Towns ☒ Village ☒ Cities
   ☒ Counties ☐ Others
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives
DOR 6/30/2003

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Subject		
Creating a planning and accountability mechanism for administering public subsidies to businesses		

Assumptions Used in Arriving at Fiscal Estimate

The bill would impose reporting requirements for businesses receiving subsidies and for the agencies, including state agencies and political subdivisions, granting the subsides under certain programs.

A business subsidy would include:
□ a grant,
□ a public improvement that costs at least $25,000 and that is made to buildings or land owned by the state or a political subdivision and that exclusively benefits a single business at the time the improvements are made,
□ a contribution of personal or real property or infrastructure,
□ any transfer of property to a business by an agency for at least $25,000 below the greater of the property's acquisition cost or fair market value, or
□ a loan of at least $75,000.
A business subsidy would not include a reduction or deferral of any tax or fee, including tax credits or general changes in the tax incremental financing laws or other general tax laws.

The bill would require every granting agency of a subsidy to develop criteria for awarding business subsidies and enter into agreements with the businesses establishing conditions for the subsidy. If the public purpose for the subsidy is job creation, compensation, including health insurance, must be equal to 200% of the federal poverty line for a family of two (currently $24,000 per year). With limited exceptions, a granting agency must hold a public hearing in the political subdivision where the project will be located before awarding a business subsidy of $500,000 or more.

Businesses receiving subsidies must submit annual reports to the granting agency, beginning not more than two years after the subsidy is first provided. Businesses that fail to submit the required reports may not receive additional subsidies. If a report remains delinquent for six months, the granting agency must notify the Department of Administration (DOA) and begin action to recover the subsidy. A business that submits a report after six months may not be awarded another subsidy without approval of the Secretary of DOA. All applications, reports and agreements must be available and easily accessible to public inspection. Granting agencies may satisfy the requirement by posting the information on their web sites.

Annually, before April 1, every granting agency must file a report with the Legislative Audit Bureau (LAB) that summarizes the information submitted to it in the last calendar year. The Department of Commerce must file an annual report before June 1 with LAB on the development zone, development opportunity zone, enterprise development zone and technology zone programs.

By August 1 of each year, LAB must publish a report to assist the legislature in evaluating the cost, effectiveness and equity of investing public moneys in businesses and economic development. The report should be presented in a manner that allows comparisons across time periods and among grantors, and allow comparisons between wages paid and fringe benefits provided by the new jobs created because of subsidies and comparable jobs in the area. LAB is not required to compare and evaluate the development zone, development opportunity zone, enterprise development zone or technology zone programs or any subsidy for which a statutory provision identifies the specific recipient or the specific annual amount of the subsidy in its report.

The Department of Commerce must provide a copy of the report it currently provides to the Governor and the Legislature on the social, economical and financial impact of tax incremental financing projects to LAB beginning with the 2003 biennium.

For purposes of job creation and retention in development zone, development opportunity zone, enterprise development zone, technology zone and agricultural zone programs, the definition of full-time job is amended to require that compensation be at least 200% of the federal poverty line, including health insurance premiums, for a family of two persons ($24,000). Under current law, a full-time job in these programs must equal pay that is at least 150% of the federal minimum wage ($16,100) and include benefits that are not required by federal or state law.

The bill will increase local government costs related to the development of criteria for awarding business subsidies and subsidy agreements, monitoring reporting compliance by recipients and annual reporting to the legislative audit bureau. These costs are not expected to be significant.

The bill will increase department costs related to tax incremental financing (TIF) training materials and information as well as assistance to local governments regarding the bill's requirements as they relate to TIF project costs. These costs can be absorbed.

Long-Range Fiscal Implications