



## Fiscal Estimate Narratives

WTCS 2/4/2004

LRB Number 03-4139/1	Introduction Number AB-796	Estimate Type Original
<b>Subject</b>		
Technical college districts; issuance of revenue bonds for services to business		

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates the Wisconsin Advantage Program to encourage workforce training and economic development. Under this program, a technical college district board, with the approval of the Wisconsin Technical College System (WTCS) Board is authorized to enter into a contract with a business to provide job training, adult basic education, vocational and professional services, and training facilities, equipment, and material to the business. The contract between the technical college district and a business may not provide more than \$3,500 in services per trainee unless a higher limit is approved by the Joint Committee on Finance. In addition, the WTCS Board must ensure that the total cost of such contracts does not exceed \$10,000,000 in any fiscal year unless the Joint Committee on Finance approves a higher limit.

The bill allows a technical college district board to secure payment for these services from a business or to issue revenue bonds to finance the costs of providing these services and materials to a business. The district board may not, however, levy a tax to pay debt service on revenue obligations issued for the purposes of paying the costs of providing services under such contracts.

The bill requires the Department of Revenue (DOR) to determine the total wages subject to income tax withholding is calculated for an individual who has been provided training or education by a technical college district under a contract described above and calculate the total for each technical college district. The names of such individuals are certified to DOR by the Department of Commerce. DOR must then certify 1.5 percent of the amount calculated for each technical college district to the WTCS Board, which distributes the amounts to the districts.

The bill also authorizes a district board to organize a nonstock corporation for the purposes of raising funds and providing support for the district.

Although the bill requires the WTCS Board to approve the contracts between technical college districts and business and industry under the Wisconsin Advantage Program, the bill does not provide additional staffing or funding to the WTCS Board. As a result, the WTCS Board assumes that these functions will be carried out by existing System Office staff. These costs are indeterminate because it is impossible to estimate the number of contracts districts will enter into under the Wisconsin Advantage Program.

In addition, under this bill, the WTCS Board is required to promulgate rules to administer the contract approval portion of the Wisconsin Advantage Program. System Office staff estimates that the code development work will require approximately 300 hours of labor to write the necessary rules to comply with the requirements of the bill. These costs are estimated at \$15,000.

The local government costs of the Wisconsin Advantage Program as described in the bill would include the cost of obtaining WTCS Board approval, providing the contracted services, issuing revenue bonds, and administering the contracts and the special redemption fund created to repay the revenue bonds. As envisioned in the bill, all of the technical college district costs associated with the Wisconsin Advantage Program would be repaid by the fees collected from business receiving the contracted services, the payments received from the state based on the taxable income of persons who have received training through the Wisconsin Advantage Program, and any other moneys designated by the district board other than property tax levies. Under the bill, the WTCS Board could approve in any fiscal year up to \$10 million contracts under the auspices of the Wisconsin Advantage Program. Amounts of contracts in excess of \$10 million would require approval by the Joint Committee on finance. Assuming that the total direct and indirect costs of the training contracts including interest on the revenue bonds will be included in the bonding, the total cost of the bonds issued will likely be greater than \$10 million, but is indeterminate.

Under the bill, in the event that the revenue stream derive from the taxable income of persons receiving the

training is insufficient to repay the revenue bonds issued by the technical college districts under the Wisconsin Advantage Program, districts would be required to repay the bonds from district revenues other than the property tax levy. This might require reallocation of district funds from existing purposes, but the amount of this reallocation is indeterminate.

Finally, although the bill creates the Wisconsin Advantage Program and establishes a mechanism to fund the obligations incurred under the program, the bill creates no appropriation to transfer the portion of the income tax revenue associated with the program to the WTCS Board or the technical college districts. Therefore, the Wisconsin Advantage Program would be unfunded.

### **Long-Range Fiscal Implications**

Indeterminate.