

Fiscal Estimate Narratives

DWD 11/3/2015

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|---|-----------|---------------------|--------|---------------|----------|
| LRB Number | 15-2313/1 | Introduction Number | SB-211 | Estimate Type | Original |
| Description Making companies that outsource jobs ineligible for state tax benefits, grants, and loans, providing an exemption from rule-making procedures, and granting rule-making authority | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Senate Bill 211 would prohibit any person who operates a business in Wisconsin that outsources work to another state or country from receiving any grants, loans or tax benefits from the State of Wisconsin for five years after the year in which the person has outsourced work to another state or country.

Senate Bill 211 also creates the Wisconsin Job Development and Retention Commission to determine when a person has outsourced work to another state or country. The Commission will consist of three members representing employees, three members representing employers, and one member to serve as a non-voting chairperson. The chairperson would be an employee of the Department of Workforce Development. There is no indication in the bill as to how the commission will operate.

The commission may receive complaints alleging that a particular business has outsourced work from Wisconsin to another state or country. Commission staff would respond to each complaint by contacting the complainant and the business named in the complaint to investigate the alleged outsourcing. The staff person will then write a report on the complaint investigation stating its recommended conclusion and reasons as to whether outsourcing has occurred. The report will be issued to the complainant, the business, and the commissioners. The commissioners will give the complainant and the business the opportunity to respond to the report, and will then issue a final decision. A business would have an opportunity to seek judicial review of any adverse decision. When an adverse decision becomes final, the commission would issue a formal notification to the Department of Revenue (which administers ch. 70 and 71, Wis. Stats.) and any other state agencies that issue grants or loans to businesses.

It is estimated the commission would have a staff of four fulltime employees, consisting of two program and planning analysts and two program assistants. A one-time initial set-up cost for each employee is estimated to be \$6,570 for a total of \$26,280.

Estimated annual costs for the four staff would be:

Salary \$ 232,960

Fringe \$ 103,551

Supplies & Services \$ 47,392

Annual meeting costs for the commission are estimated at \$7,000 per year based on meeting 4 times per year with 6 members traveling and possibly requiring overnight lodging and meals.

The commission may be able to contract with the Department of Revenue to review individual companies with adverse decisions for grants, loans or tax benefits. It is anticipated this service would involve a user fee charge by the Department of Revenue.

The tracking and monitoring of companies may require the development of a database at an estimated cost of \$340,000 for the initial database to interface with current grants, loans, and tax exemption systems, and \$70,000 annually for maintenance.

An additional cost would be incurred if funds could not be re-cooped through the Dept. of Revenue and a private firm is contracted with for collection purposes. The estimated cost could be \$350,000 annually.

The costs for operation of the commission can not be paid with federal funds received through the Unemployment Insurance Program or the Workforce Investment and Assistance Program.

Long-Range Fiscal Implications

Future costs that may arise would be an increase in user fee charges from the Department of Revenue based on the growth of the program. Also, as the commission investigates complaints on outsourcing and an employers receive adverse decisions stating their company is outsourcing jobs, each employer will have the opportunity to seek judicial review. The Department of Workforce Development may need to increase the GPR budget request to cover charges by the Department of Justice for defending the adverse decisions.

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

| | | |
|---|--|---------------|
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| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): It is estimated there would be a one time initial start up cost of \$26,280 for the 4.0 FTE. | | |
| II. Annualized Costs: | Annualized Fiscal Impact on funds from: | |
| | Increased Costs Decreased Costs | |
| A. State Costs by Category | | |
| State Operations - Salaries and Fringes | \$336,511 | |
| (FTE Position Changes) | (4.0 FTE) | |
| State Operations - Other Costs | 52,392 | |
| Local Assistance | 0 | |
| Aids to Individuals or Organizations | 0 | |
| TOTAL State Costs by Category | \$388,903 | |
| B. State Costs by Source of Funds | | |
| GPR | 388,903 | |
| FED | | |
| PRO/PRS (GPR) | | |
| SEG/SEG-S | | |
| III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.) | | |
| | Increased Rev | Decreased Rev |
| GPR Taxes | \$ | \$ |
| GPR Earned | | |
| FED | | |
| PRO/PRS | | |
| SEG/SEG-S | | |
| TOTAL State Revenues | \$ | \$ |
| NET ANNUALIZED FISCAL IMPACT | | |
| | State | Local |
| NET CHANGE IN COSTS | \$388,903 | \$ |
| NET CHANGE IN REVENUE | \$ | \$ |
| Agency/Prepared By Authorized Signature Date | | |
| DWD/ Jean Culbert (608) 266-6898 | Georgia Maxwell (608) 266-2284 | 11/3/2015 |