Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2019 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 19-5357/1	Introduction Number SB-786

Description
state workforce housing income and franchise tax credit and requiring the exercise of rule-making authority

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
WHEDA/ Sherry Gerondale (608) 267-1076	Maureen Brunker (608) 266-7354	2/18/2020

Fiscal Estimate Narratives

WHEDA 2/18/2020

LRB Number **19-5357/1**	Introduction Number **SB-786**	Estimate Type **Original**
Description state workforce housing income and franchise tax credit and requiring the exercise of rule-making authority		

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a new tax credit program for rental workforce housing. The tax credit is for developments where at least 25% of the units are set aside for individuals and families whose income is between 61% and 100% of the area median income. The units must be restricted for at least 10 years. There is also a preference for developments located in cities or towns of less than 150,000 residents.

This bill would be a new initiative for WHEDA and require staffing for the creation of a competitive process, evaluation of proposals, awarding credit allocations, and monitoring during the compliance period. The bill does not include any funding for these staffing needs. All costs associated for staffing and administration would be paid by WHEDA.

WHEDA estimates the cost to administer this program to be approximately $450,000 in the first year and $375,000 annually after the start-up year. Fees are typically charged for tax credit applications and monitoring. These are estimated at $250,000 in the start-up year and $350,000 in the following years. The net of costs and fees would result in a slight increase in WHEDA's operating costs which would cause a slight reduction in the Dividends for Wisconsin Plan in the early years.

WHEDA's estimates 10 developments would be approved annually to receive the tax credit. With a minimum 10-year compliance period, this would lead to 100 developments being monitored for compliance. WHEDA would need two commercial loan officers to develop the program, complete outreach efforts with developers and evaluate the proposals. WHEDA would also require an additional portfolio risk officer for monitoring during the compliance period at start-up. As the number of developments being monitored grows, more portfolio risk officers may be needed, however costs are not included in the numbers above.

Additional resources from our marketing, business and community engagement, and finance staff would also be needed. However, we don't anticipate additional staff in these areas in the first years of the tax credit and have not included any direct costs.

An estimate of additional software and IT fees are also included in the numbers for the first year. The new tax credit would require updates to the allocating and monitoring system used by WHEDA.

Long-Range Fiscal Implications