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WHEDA

GOVERNOR'S 1999-01 BUDGET RECOMMENDATIONS

COMMENTS TO THE JOINT COMMITTEE ON FINANCE

FRITZ RUF, EXECUTIVE DIRECTOR

MARCH 11, 1999

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

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Taliesin Preservation Commission Loan

The 1999-01 Budget includes a provision that would reduce the principal loan amount owed to WHEDA by the Taliesin Preservation Commission (Taliesin). Specifically, the provision addresses a portion of the Taliesin debt that is in default.

As background, Taliesin is the Spring Green home of Wisconsin architect Frank Lloyd Wright. It is viewed internationally as one of the best and most representative examples of Mr. Wright's work because he used it as a architectural laboratory from 1911 until his death in 1959.

By 1990, a study of the Taliesin property found that nearly every building then suffered from deterioration and neglect. The study recommended that an aggressive preservation program be immediately implemented to restore and maintain the property before time and weather made such efforts futile.

In 1991, the Legislature responded to the study by authorizing WHEDA to guarantee an $8 million loan for the restoration of Taliesin. Unlike other WHEDA loan guarantee programs, the Taliesin legislation provided only authorization to make a guarantee; no additional moneys were appropriated to the Wisconsin Development Reserve Fund (WDRF) to back the guarantee.

It was anticipated that the WHEDA-guaranteed loan would be one part of a $24 million preservation package also including an $8 million grant from the US Department of the Interior and $8 million in private contributions. Although the proposal for federal support passed the United State Senate, it ultimately was not approved. Private fundraising, while totaling about $2 million, has progressed more slowly than expected.

In 1993, WHEDA made a loan of $8 million to Taliesin. When early income projections proved unrealistic, WHEDA called on Taliesin to maximize its debt service. As a result, the loan was restructured in 1997 and today is in two parts:

> Part One: The current balance is $6,494,683 including reserves on hand of $649,468 to cover WHEDA's 10% exposure. The WDRF is currently liable for $5,845,215, or 90%, of Part One. The loan went into default in January 1999.

Part Two: The current balance is $1,088,887 including reserves on hand of $108,889 to cover WHEDA's 10% exposure. The loan is current and Taliesin is making principal repayments only per the new loan agreement.

The 1999-01 Budget Bill includes a provision that would allow WHEDA to use excess reserves in a bonded program to retire all or a significant portion of Part One of the Taliesin loan. WHEDA would transfer excess reserves of at least $5.1 million from the Housing Rehabilitation Loan Program Administration Fund to the WDRF to pay down the Taliesin debt.

The Housing Rehabilitation Loan Program is a bond-supported program that provides mortgage loans to low- and moderate-income homeowners to make non-luxury improvements to their properties. As homeowners repay their mortgages, moneys are deposited into funds for bondholder repayment, loan-loss reserves, bond redemption, and program administration. The Governor's budget would use excess moneys in the Administration Fund for the purpose of retiring Part One of the Taliesin loan.

The Governor's provision will produce several positive results for the State and WHEDA. First, it must be clearly stated that this transfer will have no negative impact on the Home Improvement Loan Program. Sufficient funds will remain in other Housing Rehabilitation Loan Program funds to ensure the health and viability of the program.

Second, the provision requires that neither new state tax dollars nor WHEDA general reserves be used on behalf of Taliesin.

Third, WHEDA will be relieved of a significant financial burden. WHEDA's General Fund is currently losing about $300,000 annually in interest payments on Part One of the Taliesin loan. Eliminating that part of the loan will generate significant savings that can be used for housing programs that serve low-income citizens.

Fourth, it will free Taliesin to pursue fundraising without a defaulted loan on its books. We believe the future of the Taliesin property will be brighter if the Taliesin Preservation Commission is freed from the burden of a $6.5 million obligation it has no possibility of repaying.

Fifth, the transfer will remove a cloud hanging over the WDRF. In addition to the Taliesin loan, the WDRF supports a variety of small business and agricultural finance programs. If a claim was made on the WDRF without the transferred funds, we would be forced to shut down or significantly scale back other loan guarantee programs. The Governor's proposal will stabilize the WDRF and improve the financial strength of its underlying loan guarantee programs.

If the Governor's provision is enacted, Taliesin will remain responsible for a $1.1 million loan to WHEDA. As currently structured, WHEDA will continue to lose about $50,000 annually in interest payments. However, we will continue to work with Taliesin to find ways to mitigate that loss.

At the end of the day, this provision is a win-win-win for Taliesin, the State of Wisconsin and WHEDA. Wisconsin's finest architectural landmark will more easily attract private funding for its restoration and preservation activities. The State will make good on a pledge to support this irreplaceable treasure without burdening Wisconsin taxpayers. And WHEDA will be relieved of carrying a troubled and costly loan.

<u>Biotechnology Development Finance Company</u>

An article in the current *Governing* magazine highlights the importance of the burgeoning biotechnology industry:

> "Industry analysts think that biotechnology is today where the information technology industry was 20 years ago. That means that many of the Microsofts and Intels of biotech are still either unborn or in their infancy. Biotechnology's potential is almost beyond the imagination, and the growth that is certain to accompany new developments in medical devices, drugs, nutrition and pollution control in the next decade is expected to be explosive. On top of that, genetics research produces well-paying jobs and is environmentally friendly."
>
> *Governing,* March 1999

Governor Thompson seeks to capitalize on Wisconsin's national leadership in biotechnology by creating an environment where nascent biotech companies can be nurtured and kept in Wisconsin. The Governor's 1999-01 Budget would appropriate $1 million of GPR to create a biotechnology development finance company that would invest in new or growing biotechnology firms in Wisconsin. The appropriation would be used to fund the start-up and initial capitalization of the finance company.

The biotechnology development finance company would be created by WHEDA as a nonprofit corporation that will invest in developing biotech firms that cannot otherwise attract sufficient capital. The size of any one investment would be limited to lesser of $200,000 or 49% ownership.

The board of directors would represent disciplines that understand and can respond to the needs biotech companies. The board will be comprised of persons from the state's biotechnology research community, biotechnology industry, venture capital industry, University of Wisconsin, WHEDA, the Departments of Administration Commerce, Forward Wisconsin, and the Investment Board.

The finances of the biotechnology development finance company would be established as separate from WHEDA and the State. Neither the State nor WHEDA would be liable for any debts of the finance company.

The Governor's proposal is a worthwhile investment in Wisconsin. Who knows: The Bill Gates of the biotechnology industry may today be a student at the University of Wisconsin. Let's give him or her the tools needed to build their business in Wisconsin.

Small Business Loan Guarantees in Gaming Communities

The Governor proposes that $2.5 million from gaming revenues be added to the WDRF to provide incentives for business development in communities affected by casinos. The principal vehicle for delivering this resource is the WHEDA Small Business Guarantee created by the Legislature in the 1997-99 budget.

The 1999-01 Budget would give WHEDA maximum flexibility in meeting the financing needs of affected businesses:

- The guarantee level could be as high as 100%.
- The business would be eligible for annual interest rate subsidies of as much as 3.5% on the outstanding balance of its loan.
- The program would be available to businesses located in a county or adjacent to a county where a recognized American Indian Tribe operates a casino. Our estimate is that the program would be available in 52 Wisconsin counties.

This program offers exciting growth possibilities for businesses located in communities that have been impacted by casinos.

Funding Priorities
State Historical Society of Wisconsin

		GPR Dollar Estimate	FTE
1.	Wisconsin Heritage Trust (pending legislation)		

- Our most frequent request is for a source of grant money or matching money for historic preservation projects.

2.	Additional Historic Sites LTE Monies	$200, 000	-0-

- We are facing a crisis in our historic sites system this summer. Our prevailing pay rate is minimum wage. We are losing the competition for staff to fast food chains and others because of the pay differential. The problem exists at all the sites. Last fall, we had to close several ethnic farmsteads to school tours, for example, at Old World Wisconsin because of inability to hire staff.

3.	National History Day	98,000	2.00

- This is a national program similar to Science Fairs, which has been highly successful in Minnesota (20,000 kids a year) and elsewhere. The Society wants to coordinate and build this program in Wisconsin. One of our strategic goals is to reach out to new audiences, particularly children.

4.	Curatorial Position for Southwestern Historic Sites	41,000	1.00

- Pendarvis, First Capitol, and Stonefield need additional curatorial help to deal with serious collections issues. For example, Stonefield has the largest 19th century agricultural collection in the country, but it is largely uncatalogued and improperly stored.

5.	Headquarters Maintenance Positions	37,600	2.00

- Over the years, budget cuts have reduced the size of the Society's maintenance staff. Our headquarters building is not maintained by DOA. We have only four custodians on staff now for a facility that sees heavy university traffic. We have no weekend custodial help at all.

6.	Society-wide Depreciation Fund	32,400	-0-

- The number of Society staff available to maintain systems, clean and perform other responsibilities in our 100-year-old headquarters building is inadequate. The building has an estimated annual use of more than 250,000 people.

7.	Increase Museum Volunteer Coordinator FTE	17,200	0.50

- We have a half-time volunteer coordinator at the State Historical Museum. The volunteer program generates a heavy number of volunteer hours. We believe that a full-time position would be cost effective and allow us to manage an even greater number of volunteers.

8.	Increased Courier Costs for Northern Great Lakes Center	15,000	-0-

- With the opening of our Area Research Center at the Northern Great Lakes Visitor Center in Ashland, we expect a sharp increase in the number of collections borrowed from Madison and couriered to Ashland.

Wisconsin Joint Finance Committee
Remarks at Budget Hearing in Stevens Point, April 13, 1999

My name is John Gusmer. I'd like to say a few words about the importance of Wisconsin Public Radio and Television.

I'm a retired business manager and a former School Board member. My wife and I moved to Waupaca over 40 years ago. We have been fans and financial supporters of Wisconsin Public Broadcasting since we moved here.

Wisconsin can be proud of its long history in public broadcasting. Our state pioneered educational broadcasting in 1917. Wisconsin Public Television was the fourth public station in the United States. Our state network continues as an example of a vital element in our citizens' education.

Public Television is currently facing a challenge – and an opportunity. By FCC mandate all 6 stations must begin broadcasting digital television signals by 2003. Failure to meet this deadline would result in revocation of WPT's broadcast licenses. WPT estimates that the new equipment and installation will require an investment of 40 million dollars.

Digital television broadcasting will create new opportunities. Digital technology will allow the broadcasting of 4 or more channels of educational programming on the same frequency. At any time there can be simultaneous programs for classrooms, business seminars, and organization conferences, as well as a wide range of individual study courses.

To meet the FCC deadlines, work on digital equipment must begin in this next biennium. $40 million is beyond our ability to raise from community fundraising. But lets put this in perspective: Wisconsin has 5 million residents. The $ 40 million cost represents a one-time investment of only $8 per resident. Many households spend more than that monthly for cable service.

What does Wisconsin Public Television bring us? Specials that focus on Wisconsin history, business, and politics; children's programs that educate while they entertain; and cultural events like ballet, folk dancing, symphony and folk music. If you watch early AM you can take college level courses like law, statistics, psychology, and business management.

As a former Waupaca School Board member I appreciate what Wisconsin Public Television contributes to our school system. WPT educational programs are listed in "Interconnect" magazine which is circulated to our teachers. Librarians in the Elementary, Middle School, and High School have VCR's so that they can make video tapes of the programs that teachers request. This allows teachers to show WPT programs at the appropriate stage of their lesson plans.

In a recent press release, a polling organization ranked Wisconsin as one of the best states to live in. Education, safety, and job opportunities were some of the favorable factors. We ranked poorly in tax burden because Wisconsin has relatively high taxes compared to other states. I thought that one of our state legislators summarized our status well: Wisconsin was ranked high because it uses tax revenue wisely.

Please continue the support of Public Broadcasting when you discuss the budget before you.

Thank you,

John H. Gusmer

State of Wisconsin

Governor's Council on Tourism

Tom Diehl, Chair
Bill Geist, Vice Chair
Kelli Trumble, Secretary

To:	Members, Joint Committee on Finance
From:	Thomas M. Diehl
Date:	April 14, 1999
Re:	**FOLLOW-UP - APRIL 13, 1999 TESTIMONY (STEVENS POINT)**

As promised, enclosed please find more details on the testimony I provided the Committee yesterday in Stevens Point. Please feel free to telephone me at 608/254-2525 to further discuss the exciting options available to advance both Wisconsin's tourism industry and the environmental quality of life in our great state!

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State of Wisconsin
Governor's Council on Tourism

Tom Diehl, Chair
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THOMAS M. DIEHL, CHAIR
GOVERNOR'S COUNCIL ON TOURISM

BEFORE THE JOINT COMMITTEE ON FINANCE
APRIL 13, 1999

My name is Tom Diehl. For much of the last decade, I have had the distinct pleasure of serving as Chairperson of the Governor's Council on Tourism. As I have in the past, I would like to again share with you our vision of how the Wisconsin Legislature -- principally, but not exclusively, through the budget process -- can improve the quality of Wisconsin's tourism industry and, more importantly, the quality of life for Wisconsin's citizens. Today, I would like to focus on the specific issues which would drive this initiative.

TOURISM NEEDS A PERMANENT FUNDING MECHANISM

Wisconsin needs to develop a long-term permanent funding mechanism for tourism promotion. The funding mechanism must recognize the unique needs of both urban and rural tourism activities and realize that there are needs for both large and small tourism destinations.

The Executive Budget before you does an admirable job of allocating additional dollars to tourism and tourism promotion. It does an equally admirable job of dealing with tourism-related issues in areas impacted by Native American gaming.

There is one major shortcoming of the Executive Budget with reference to tourism promotion. That shortcoming is that the budget does not include a mechanism or proposal for institutionalizing the long-term funding of tourism promotion. The Governor's Council on Tourism has proposed legislation to create a "tourism fund," which would automatically receive from sales tax collections an annual amount equal to fifty (50) percent of, first, Wisconsin sales tax paid to the State by specific tourism retailers minus, second, the Wisconsin sales tax paid to the State by those types of retailers in 1997, adjusted for changes in the Consumer Price Index. Effectively, only "real" (non-inflationary) growth in tourism sales tax collections would result in monies being transferred into the permanent tourism fund. <u>No new taxes would be required</u> to accomplish this policy objective. I am including with my testimony today a copy of that draft legislation, along with a two-page *Executive Summary of the Governor's Council on Tourism's Proposed Legislation*.

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THE SCHOOL CALENDAR ISSUE

Wisconsin has had a simmering debate for far too many years over the relationship between Wisconsin's school calendar schedule and the well-being of Wisconsin's tourism industry. The tourism industry has worked hard to listen to those who have concerns regarding the establishment of minimum standards for local school calendars. We believe that the mechanisms which have been established in Senate Bill 13 achieve the necessary balance between the needs of Wisconsin's school districts and Wisconsin's tourism industry. It is also appropriate that this issue be addressed as part of the State Budget deliberations. Implementing a uniform starting date of September 1 would extend the summer tourism season by 10 percent, which would, in turn, generate a tremendous amount of state tax revenues!

CRITICAL BUDGET INITIATIVES

One of the benefits of my long tenure as Chair of the Governor's Council on Tourism has been the opportunity to network with many agencies of state government, as well as with many consumers and advocates of Wisconsin's outdoor recreation programs. I have come to personally believe that there are at least three additional budget initiatives which should be considered by this Legislature as it ponders Wisconsin's next budget. Let me briefly describe them.

Reauthorization of Stewardship Program

Former Governors Gaylord Nelson and Warren Knowles and present long-time Governor Tommy G. Thompson have taught us much about caring for Wisconsin's environment. They have all had the vision and foresight to bring to the table mechanisms for long-term funding for the purchase of unique land and water resources in Wisconsin. The Legislature is now being asked to renew Wisconsin's Stewardship Funding Program for another decade. *Quality tourism and a quality environment are inseparable.* Reauthorization of Wisconsin's Stewardship Program should be a major priority. The Legislature should reauthorize the Stewardship Program at a level at least equal to the original 1989 amount adjusted for inflation since 1989. Such a decision would well serve the future of Wisconsin tourism.

Supplemental Funding for Fish and Wildlife Management

Second, the hunters and fishers of Wisconsin have long been asked to exclusively fund most of Wisconsin's outdoor recreation programs with their user fees. Unfortunately, we have come to recognize that the user fees, alone, from such a small portion of the total group of citizens who use Wisconsin's outdoor recreational programs, provide an inadequate funding base. We need not only work to preserve our existing outdoor recreational programs but also, in some instances, we must try to rebuild certain resources to prior higher standards in order to serve not only Wisconsin's citizens but Wisconsin's tourism industry.

Snowmobiling Critical to Winter Tourism Industry

Finally, winter tourism and snowmobiling are also vital to one another. The snowmobilers, themselves, provide the entire resource base for this outdoor recreation/tourism activity. The more than 25,000 miles of Wisconsin snowmobile trails are principally the result of the snowmobilers, on their own initiative, first gaining the approval of private landowners to lease the lands which create the current public trail network, going on to build the trails and bridges necessary to link the system together, and, finally, on an annual basis, grooming and maintaining the entire trail system. This valuable resource base would not exist in the first place without the volunteer snowmobiler.

The Governor and the Wisconsin Legislature have recognized the snowmobilers' unique contribution to Wisconsin's tourism and outdoor recreational programs. They have also recognized that user fees alone provide an inadequate base to support this critical winter tourism activity. We would recommend that the Legislature give serious consideration to placing snowmobile user fees in the trails program and finding other revenue streams to cover the cost of administrating the snowmobile programs and supporting local and state law enforcement initiatives.

CONCLUSION

In conclusion, we need to look at many of these issues as pieces of the larger "recreational" pie. I note, with particular pleasure, that the Department of Administration, in its briefing documents, treated the issues of tourism funding, outdoor recreational program funding and snowmobile funding as an integrated policy initiative. We should look for a solution during this budget process which completes the task and policy initiatives which have been identified in the Executive Budget Bill currently before the Wisconsin Legislature.

Thank you very much for your consideration of our perspective.

Respectfully Submitted,

Thomas M. Diehl, Chairperson
Governor's Council on Tourism

Enclosures:

(1) *Executive Summary: Governor's Council on Tourism Proposed Legislation*
(2) Draft Legislation: Governor's Council on Tourism

EXECUTIVE SUMMARY

GOVERNOR'S COUNCIL ON TOURISM PROPOSED LEGISLATION TO CREATE A TOURISM FUND FOR TOURISM PROMOTION

The draft legislation advanced by the Governor's Council on Tourism has as its centerpiece the establishment and reliable funding of a Tourism Fund in order to provide significant, dependable funding of tourism promotion in Wisconsin. The draft legislation has the following key features:

1. No new taxes. As described in the following section, the only tax collected from retailers is the existing Wisconsin sales tax. Thus, there are no new taxes and no new bookkeeping obligations for any retailer.

2. Funding is completely tied to the real (non-inflationary) growth in tourism revenues. The "Tourism Fund" created by the legislation will automatically receive from sales tax collections an annual amount equal to 50% of (a) the Wisconsin sales taxes paid in to the State by certain types of retailers ("Tourism Program Retailers") minus (b) the Wisconsin sales taxes paid in to the State by those types of retailers in 1997 adjusted for changes in the Consumer Price Index. Accordingly, only real (non-inflationary) growth in tourism sales tax collections will result in monies being transferred into the Tourism Fund.

3. Reinvestment of tourism dollars into tourism programs, which will generate additional tourism dollars and sales tax revenues. The annual contribution to the Tourism Fund is completely dependent on the growth of tourism in Wisconsin. The Tourism Program Retailers represent the types of businesses that (a) generate most of the tourism-related sales tax dollars in Wisconsin and (b) will benefit the most from expenditures from the Tourism Fund. If the dollars are spent wisely, as the Council believes will be the case, such expenditures will grow Wisconsin sales tax revenues. 50% of that growth will wind up as a contribution to the Tourism Fund while the remaining 50% will simply be a contribution to general revenue.

4. Create a permanent mechanism for funding the promotion of Wisconsin tourism. Committing a portion of Wisconsin's sales tax revenue stream to tourism signals a significant commitment to the promotion of tourism and provides programic stability for tourism initiatives.

5. 50% of the monies placed in the Tourism Fund will be used in the "LCVB Program" to make matching grants to Local Convention and Visitor Bureaus or Local Destination Marketing Organizations for tourism programs which are initiated at the local/regional level. LCVB Program grants will be based upon the Department's evaluation of proposed programs and the number of hotel rooms in the relevant municipalities. No more than 50% of each applicant's program may be funded with a grant. Criteria for making grants will be developed under the rule-making authority of the Department of Tourism.

6. The remaining monies in the Tourism Fund will be used by the Department of Tourism for other programs, including expansion of the existing Joint Effort Marketing ("JEM") Program under Wisconsin Statute §41.17.

7. A portion of such remaining monies will be required by statute to be spent through the existing JEM program. Such increased funding of JEM will increase the number of grants to those communities which are too small to benefit from the LCVB Program. In addition, organizations seeking LCVB Program grants will not be allowed to apply for JEM funds, meaning less competition for JEM funds.

DRAFT -- LOCAL TOURISM AND CONVENTION BUREAU PROGRAM

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 41.01(3) through 41.01(6) of the statutes are created to read:

"41.01(3). "Incremental Tourism Funds" means, with respect to each Fiscal Year commencing with the Fiscal Year ending on June 30, 1999, one-half of the difference between (a) the aggregate amount of sales and use taxes payments made by Tourism Program Retailers to the Wisconsin Department of Revenue for the preceding Fiscal Year and (b) an amount equal to (i) the aggregate amount of sales and use taxes remitted to the Wisconsin Department of Revenue by Tourism Program Retailers during the Fiscal Year ending on June 30, 1997 adjusted for (ii) any change between June of the preceding Fiscal Year and June of 1997 in the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the U.S. department of labor.

41.01(4). "LCVB Program" means the program set forth in subchapter IV of this Chapter.

41.01(5). "LCVB Program Funds" means that portion of the Incremental Tourism Funds set forth in Section 41.02(2)(a).

41.01(6). "Tourism Program Retailers" means those retailers classified in the standard industrial classification manual, 1987 edition, published by the U.S. office of management and budget under the following industry numbers:

4121	Taxicabs
4131	Intercity Bus
4142	Non-local Bus Charter
4173	Bus Terminals
4482	Ferries
4493	Marinas
4512	Air Transportation
4581	Airports
4724	Travel Agencies
4725	Tour Operators
4729	Passenger Transport Arrangement
5441	Candy, Nut & Confectionery Stores
5541	Gasoline Service Stations
5551	Boat Dealers
5561	Recreational Vehicle Dealers

5812	Eating Places
5813	Drinking Places
5921	Liquor Stores
5946	Camera & Photographic Supply Stores
5947	Gift, Novelty & Souvenir Shops
7011	Hotels & Motels
7032	Sporting & Recreational Camps
7033	Recreational Vehicle Parks & Campsites
7040	Other Lodging Places
7514	Passenger Car Rental
7519	Utility Trailer Rental
7521	Automobile Parking
7940	Tickets & Goods at Sporting Events
7948	Racing, Including Track Operations
7991	Boat & Canoe Rentals
7992	Public Golf Courses/Swimming Pools
7993	Coin-operated Amusement Devices
7996	Amusement Parks
7998	Amusement Parks/Tourist Attractions
7999	Amusement & Recreational Services
8412	Museums & Art Galleries
8422	Botanical & Zoological Gardens"

SECTION 2. 41.02 of the statutes is created to read:

"41.02. Creation of Tourism Fund.

(1) The state treasurer shall annually transfer on December 1 of each year out of the state sales and use tax revenues of the Department of Revenue into a fund hereby created in the state treasury to be known as the "tourism fund" the amount of the Incremental Tourism Funds for that Fiscal Year. The tourism fund shall be used solely by the Department to carry out the duties and functions of the Department as prescribed by law. Moneys transferred to the tourism fund shall be in addition to the budget base for the Department in each fiscal year. Any moneys in the tourism fund at the end of any biennium shall not be transferred and shall remain in the tourism fund.

(2) The Department shall use monies in the tourism fund for the following program purposes:

(a) Annually, 50% of the Incremental Tourism Funds shall be designated as LCVB Program Funds and distributed in accordance with subchapter IV of this Chapter.

(b) All remaining monies in the tourism fund, including all monies from the investment of monies in the tourism fund, shall be used by the Department for tourism marketing service expenses and the execution of the functions under ss 41.11(4) and 41.17."

SECTION 3. 41.17(4) of the statutes is amended to read:

"41.17(4). Funds released in any given project may not exceed 67% ~~50%~~ of the total project costs, less that portion of the amounts recovered by the applicant through the sale of advertising or other promotional considerations in connection with the project which exceeds 67% ~~50%~~ of the total project costs."

SECTION 4. 41.17(5) of the statutes is created to read:

"41.17(5). Funding. The Department shall make available annually joint effort marketing funds in an amount at least equal to five percent of the total of (a) the annual appropriation for tourism marketing programs pursuant to s. 20.380(1)(b) and (b) the amount of Incremental Tourism Funds deposited in the tourism fund pursuant to s. 41.02(2)(b)."

SECTION 5. Subchapter IV of Chapter 41 of the statutes is created to read:

"41.50. Definitions. In this subchapter:

(1) "Applicant" means a Local Convention and Visitors Bureau or Local Destination Marketing Organization applying for LCVB Program Funds pursuant to section 41.51.

(2) "Application" means the written request by an Applicant for LCVB Program Funds.

(3) "Certified Bureau" means an Applicant which has been designated by the Department as a grantee entitled to receive LCVB Program Funds in accordance with section 41.51(3).

(4) "Fiscal Year" means July 1 through June 30, the fiscal year of the State of Wisconsin.

(5) "Grant Agreement" means a written and signed contractual document between a Certified Bureau and the Department which the information set forth in

(6) "Local Convention and Visitors Bureau" means a non-profit organization which represents a municipality or municipalities and which is engaged in the active solicitation of convention, group and leisure visitors for

such municipality or municipalities, so long as such organization devotes no less than 80% of its budget to the promotion and development of tourism.

(7) "Local Destination Marketing Organization" means any chamber of commerce or other non-profit organization that represents a municipality or municipalities not served by a Local Convention and Visitors Bureau, so long as such organization devotes no less than 80% of its budget to the promotion and development of tourism and operates with an annual budget in excess of $300,000.

(8) "Rooming Units" means the rooms designated for lodging at hotels, bed and breakfast establishments, and tourist rooming houses, as such terms are defined in s. 254.61, Stats.

41.51. Application and Certification Process.

(1) Notice of Application. The Department shall periodically publish in the official state newspaper a notification which includes the following:

(a) That LCVB Program Funds are available to successful applicants, including a description of the amount thereof which is available on a state-wide basis;

(b) That application forms and materials are available from the Department at the address listed in the notice; and

(c) That applicants must submit a completed application which is received by the Department by the application date set forth in the notice in order to be eligible to receive LCVB Program Funds.

(2) Application. Any Applicant seeking to receive LCVB Program Funds shall submit the following materials to the Department by the date specified in the notice:

(a) a request for a specified amount of LCVB Program Funds.

(b) the Applicant's articles of incorporation or other organizational documents as a non-profit organization.

(c) a statement that the Applicant employs a full-time paid professional executive director/chief executive officer who is responsible for the development and growth of tourism within the municipality or municipalities serviced by the Applicant.

(d) a statement listing the municipality or municipalities represented by Applicant's service area, together with a letter from the governing body of each such municipality warranting and representing that the applicant is the sole Local Convention and Visitors Bureau or Local Destination Marketing Organization which may apply for LCVB Program Funds with respect to such municipality during such Fiscal Year. In the event a municipality levies a room tax pursuant to s. 66.75, Stats., the applicant must be the sole "tourism entity" (as such term is defined in s. 66.75(1)(f), Stats.) for the municipality. In the event a municipality does not levy such a room tax, the applicant must be the entity which has historically served the municipality as the organization devoted to the promotion and development of tourism for such municipality.

(e) a list, certified by the Applicant's fiscal officer or treasurer, of the Rooming Units located and operating in such municipality or municipalities as of the date of the Application, including the address, phone number, and number of rooms for each entity which owns or manages such Rooming Units.

(f) a statement, certified by the Applicant's fiscal officer, accountant or treasurer, that the Applicant's currently-approved budget contains funding which is available to serve as a match for the State grant.

(g) a detailed description of the project(s) to be funded with the grant of LCVB Program Funds, including but not limited to a detailed plan and budget for each project specifying the media to be used, the market to be approached, the facilities and attractions to be promoted and the Applicant's estimated expenditures and receipts.

(3) Notice of Certification. Within thirty days after an Applicant has submitted an application which the Department has determined to be complete, the Department shall send a written notification of the amount of LCVB Program Funds which will be granted to such Certified Bureau. The decision of the Department is final and non-appealable. Chapter 227, and specifically s. 227.42 are inapplicable to determinations made pursuant to this subsection.

(4) Maximum Annual Funding Amount. The maximum amount of LCVB Program Funds which may be granted in a Fiscal Year to a Certified Bureau shall not exceed the amount which is equal to the result of the following: 1.5 times the amount of LCVB Program Funds for the Fiscal Year multiplied by a fraction, the numerator of which is the number of Rooming Units in the municipalities represented by such Certified

Bureau and the denominator of which is the number of Rooming Units in Wisconsin as determined by the Department.

41.52. Program Requirements.

(1) Written Grant Agreements. Each grant of LCVB Program Funds shall be implemented by a written Grant Agreement between the Department and the Certified Bureau, which shall specify at a minimum:

(a) The name, address and contact person for the Certified Bureau and its advertising agency, if any.

(b) A description of the project, including the media to be used, the market research which is or will be a part of the project, the date or inclusive dates and the geographic market to be reached.

(c) An itemized statement of the estimated total costs of the project.

(d) An itemized statement of the revenues accruing to the Certified Bureau from the project through advertising, contributions and other sources.

(e) The conditions for the release of the LCVB Program Funds under this subchapter.

(2) Limitations.

(a) No LCVB Program Funds may be released for a project which is not included within an advertising plan and budget submitted by an Applicant and approved by the Department.

(b) No LCVB Program Funds may be released except in accordance with a Grant Agreement.

(c) Funds released in any given project may not exceed 50% of the total projects costs, less that portion of the amounts recovered by the Certified Bureau through the sale of advertising or other promotional considerations in connection with the project which exceeds 50% of the total project costs.

(d) No funds may be used to compensate any officer or employee of the Certified Bureau for salaries or expenses.

(e) No name or picture of any living state ~~or local public~~ official or candidate for public office may be used in any project for which LCVB Program Funds are provided.

(f) No payments may re released except upon presentation of receipted vouchers for project expenditures by the Certified Bureau, together with such other documentary evidence substantiating payments and the purposes for which the payments were made as the rules promulgated by the Department require.

(g) The Department may promulgate rules imposing additional requirements to ensure that public funds are used to promote the maximum number of attractions and facilities.

41.53. Relationship to Joint effort marketing program. Any person which has been a Certified Bureau is ineligible to apply for monies under section 41.17 until at least twelve months after such person has last received monies under the LCVB Program."

DRAFT -- LOCAL TOURISM AND CONVENTION BUREAU PROGRAM

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 41.01(3) through 41.01(6) of the statutes are created to read:

"41.01(3). "Incremental Tourism Funds" means, with respect to each Fiscal Year commencing with the Fiscal Year ending on June 30, 1999, one-half of the difference between (a) the aggregate amount of sales and use taxes payments made by Tourism Program Retailers to the Wisconsin Department of Revenue for the preceding Fiscal Year and (b) an amount equal to (i) the aggregate amount of sales and use taxes remitted to the Wisconsin Department of Revenue by Tourism Program Retailers during the Fiscal Year ending on June 30, 1997 adjusted for (ii) any change between June of the preceding Fiscal Year and June of 1997 in the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the U.S. department of labor.

41.01(4). "LCVB Program" means the program set forth in subchapter IV of this Chapter.

41.01(5). "LCVB Program Funds" means that portion of the Incremental Tourism Funds set forth in Section 41.02(2)(a).

41.01(6). "Tourism Program Retailers" means those retailers classified in the standard industrial classification manual, 1987 edition, published by the U.S. office of management and budget under the following industry numbers:

4121	Taxicabs
4131	Intercity Bus
4142	Non-local Bus Charter
4173	Bus Terminals
4482	Ferries
4493	Marinas
4512	Air Transportation
4581	Airports
4724	Travel Agencies
4725	Tour Operators
4729	Passenger Transport Arrangement
5441	Candy, Nut & Confectionery Stores
5541	Gasoline Service Stations
5551	Boat Dealers
5561	Recreational Vehicle Dealers

5812	Eating Places
5813	Drinking Places
5921	Liquor Stores
5946	Camera & Photographic Supply Stores
5947	Gift, Novelty & Souvenir Shops
7011	Hotels & Motels
7032	Sporting & Recreational Camps
7033	Recreational Vehicle Parks & Campsites
7040	Other Lodging Places
7514	Passenger Car Rental
7519	Utility Trailer Rental
7521	Automobile Parking
7940	Tickets & Goods at Sporting Events
7948	Racing, Including Track Operations
7991	Boat & Canoe Rentals
7992	Public Golf Courses/Swimming Pools
7993	Coin-operated Amusement Devices
7996	Amusement Parks
7998	Amusement Parks/Tourist Attractions
7999	Amusement & Recreational Services
8412	Museums & Art Galleries
8422	Botanical & Zoological Gardens"

SECTION 2. 41.02 of the statutes is created to read:

"41.02. Creation of Tourism Fund.

(1) The state treasurer shall annually transfer on December 1 of each year out of the state sales and use tax revenues of the Department of Revenue into a fund hereby created in the state treasury to be known as the "tourism fund" the amount of the Incremental Tourism Funds for that Fiscal Year. The tourism fund shall be used solely by the Department to carry out the duties and functions of the Department as prescribed by law. Moneys transferred to the tourism fund shall be in addition to the budget base for the Department in each fiscal year. Any moneys in the tourism fund at the end of any biennium shall not be transferred and shall remain in the tourism fund.

(2) The Department shall use monies in the tourism fund for the following program purposes:

(a) Annually, 50% of the Incremental Tourism Funds shall be designated as LCVB Program Funds and distributed in accordance with subchapter IV of this Chapter.

(b) All remaining monies in the tourism fund, including all monies from the investment of monies in the tourism fund, shall be used by the Department for tourism marketing service expenses and the execution of the functions under ss 41.11(4) and 41.17."

SECTION 3. 41.17(4) of the statutes is amended to read:

"41.17(4). Funds released in any given project may not exceed 67% ~~50%~~ of the total project costs, less that portion of the amounts recovered by the applicant through the sale of advertising or other promotional considerations in connection with the project which exceeds 67% ~~50%~~ of the total project costs."

SECTION 4. 41.17(5) of the statutes is created to read:

"41.17(5). Funding. The Department shall make available annually joint effort marketing funds in an amount at least equal to five percent of the total of (a) the annual appropriation for tourism marketing programs pursuant to s. 20.380(1)(b) and (b) the amount of Incremental Tourism Funds deposited in the tourism fund pursuant to s. 41.02(2)(b)."

SECTION 5. Subchapter IV of Chapter 41 of the statutes is created to read:

"41.50. Definitions. In this subchapter:

(1) "Applicant" means a Local Convention and Visitors Bureau or Local Destination Marketing Organization applying for LCVB Program Funds pursuant to section 41.51.

(2) "Application" means the written request by an Applicant for LCVB Program Funds.

(3) "Certified Bureau" means an Applicant which has been designated by the Department as a grantee entitled to receive LCVB Program Funds in accordance with section 41.51(3).

(4) "Fiscal Year" means July 1 through June 30, the fiscal year of the State of Wisconsin.

(5) "Grant Agreement" means a written and signed contractual document between a Certified Bureau and the Department which the information set forth in .

(6) "Local Convention and Visitors Bureau" means a non-profit organization which represents a municipality or municipalities and which is engaged in the active solicitation of convention, group and leisure visitors for

such municipality or municipalities, so long as such organization devotes no less than 80% of its budget to the promotion and development of tourism.

(7) "Local Destination Marketing Organization" means any chamber of commerce or other non-profit organization that represents a municipality or municipalities not served by a Local Convention and Visitors Bureau, so long as such organization devotes no less than 80% of its budget to the promotion and development of tourism and operates with an annual budget in excess of $300,000.

(8) "Rooming Units" means the rooms designated for lodging at hotels, bed and breakfast establishments, and tourist rooming houses, as such terms are defined in s. 254.61, Stats.

41.51. Application and Certification Process.

(1) Notice of Application. The Department shall periodically publish in the official state newspaper a notification which includes the following:

(a) That LCVB Program Funds are available to successful applicants, including a description of the amount thereof which is available on a state-wide basis;

(b) That application forms and materials are available from the Department at the address listed in the notice; and

(c) That applicants must submit a completed application which is received by the Department by the application date set forth in the notice in order to be eligible to receive LCVB Program Funds.

(2) Application. Any Applicant seeking to receive LCVB Program Funds shall submit the following materials to the Department by the date specified in the notice:

(a) a request for a specified amount of LCVB Program Funds.

(b) the Applicant's articles of incorporation or other organizational documents as a non-profit organization.

(c) a statement that the Applicant employs a full-time paid professional executive director/chief executive officer who is responsible for the development and growth of tourism within the municipality or municipalities serviced by the Applicant.

(d) a statement listing the municipality or municipalities represented by Applicant's service area, together with a letter from the governing body of each such municipality warranting and representing that the applicant is the sole Local Convention and Visitors Bureau or Local Destination Marketing Organization which may apply for LCVB Program Funds with respect to such municipality during such Fiscal Year. In the event a municipality levies a room tax pursuant to s. 66.75, Stats., the applicant must be the sole "tourism entity" (as such term is defined in s. 66.75(1)(f), Stats.) for the municipality. In the event a municipality does not levy such a room tax, the applicant must be the entity which has historically served the municipality as the organization devoted to the promotion and development of tourism for such municipality.

(e) a list, certified by the Applicant's fiscal officer or treasurer, of the Rooming Units located and operating in such municipality or municipalities as of the date of the Application, including the address, phone number, and number of rooms for each entity which owns or manages such Rooming Units.

(f) a statement, certified by the Applicant's fiscal officer, accountant or treasurer, that the Applicant's currently-approved budget contains funding which is available to serve as a match for the State grant.

(g) a detailed description of the project(s) to be funded with the grant of LCVB Program Funds, including but not limited to a detailed plan and budget for each project specifying the media to be used, the market to be approached, the facilities and attractions to be promoted and the Applicant's estimated expenditures and receipts.

(3) Notice of Certification. Within thirty days after an Applicant has submitted an application which the Department has determined to be complete, the Department shall send a written notification of the amount of LCVB Program Funds which will be granted to such Certified Bureau. The decision of the Department is final and non-appealable. Chapter 227, and specifically s. 227.42 are inapplicable to determinations made pursuant to this subsection.

(4) Maximum Annual Funding Amount. The maximum amount of LCVB Program Funds which may be granted in a Fiscal Year to a Certified Bureau shall not exceed the amount which is equal to the result of the following: 1.5 times the amount of LCVB Program Funds for the Fiscal Year multiplied by a fraction, the numerator of which is the number of Rooming Units in the municipalities represented by such Certified

Bureau and the denominator of which is the number of Rooming Units in Wisconsin as determined by the Department.

41.52. Program Requirements.

(1) Written Grant Agreements. Each grant of LCVB Program Funds shall be implemented by a written Grant Agreement between the Department and the Certified Bureau, which shall specify at a minimum:

(a) The name, address and contact person for the Certified Bureau and its advertising agency, if any.

(b) A description of the project, including the media to be used, the market research which is or will be a part of the project, the date or inclusive dates and the geographic market to be reached.

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(e) The conditions for the release of the LCVB Program Funds under this subchapter.

(2) Limitations.

(a) No LCVB Program Funds may be released for a project which is not included within an advertising plan and budget submitted by an Applicant and approved by the Department.

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(c) Funds released in any given project may not exceed 50% of the total projects costs, less that portion of the amounts recovered by the Certified Bureau through the sale of advertising or other promotional considerations in connection with the project which exceeds 50% of the total project costs.

(d) No funds may be used to compensate any officer or employee of the Certified Bureau for salaries or expenses.

(e) No name or picture of any living state or local public official or candidate for public office may be used in any project for which LCVB Program Funds are provided.

(f) No payments may re released except upon presentation of receipted vouchers for project expenditures by the Certified Bureau, together with such other documentary evidence substantiating payments and the purposes for which the payments were made as the rules promulgated by the Department require.

(g) The Department may promulgate rules imposing additional requirements to ensure that public funds are used to promote the maximum number of attractions and facilities.

41.53. Relationship to Joint effort marketing program. Any person which has been a Certified Bureau is ineligible to apply for monies under section 41.17 until at least twelve months after such person has last received monies under the LCVB Program."

GINSENG BOARD OF WISCONSIN

16H MENARD PLAZA
WAUSAU, WI 54401 U.S.A.

TEL: (715)845-7300 FAX: (715) 845-8006

TO: MEMBERS OF THE JOINT FINANCE COMMITTEE

FROM: THE GINSENG BOARD OF WISCONSIN

DATE: APRIL 13, 1999

The Ginseng Board of Wisconsin works to achieve two primary objectives:

First, to conduct and promote research; *scientific research* to determine the health benefits of Wisconsin ginseng on the human body and *environmental research* for utilization by the growers to assist in producing a healthy and stable crop.
Second, to continually provide the ginseng industry with up to date, conclusive data to promote, educate, and create awareness of the existence of Wisconsin ginseng to assist in its marketability.

THE FOLLOWING IS AN OVERVIEW OF OUR GINSENG INDUSTRY

- ✓ The Wisconsin ginseng industry is in a severe economic depression.

- ✓ The price of Wisconsin ginseng has fallen from a high of $63.00 to its current low of $6.00 per pound.

- ✓ Wisconsin ginseng growers decreased from 1,476 to 1,102 with 374 growers going out of business in one calender year 1997-1998.

- ✓ Local financial institutions estimate one-quarter to one-half of all loans to growers are in jeopardy.

- ✓ At one time, ginseng's contribution to the State's economy was $120 million. Today, ginseng contributes only $20 million to the economy.

- ✓ Related businesses indicate that their sales are down 50 to 75% because of the downturn in the Wisconsin ginseng market.

- ✓ The unemployment rate in the industry ranges from 25 to 35% with the most significant impact being on minorities.

- ✓ Increased competition from Korean and Canadian ginseng companies, all with large government subsidies, has made it difficult for Wisconsin growers to market products domestically.

- ✓ As a result, the State of Wisconsin has lost $5 million in direct revenue because of the plight of the industry. This does not include the State's loss of indirect revenue or sales taxes.

TURNING THE INDUSTRY AROUND

- ✓ The Ginseng Board of Wisconsin is currently developing a comprehensive strategic plan.

- ✓ At one time, Asia accounted for 87% of Wisconsin ginseng sales. We are currently opening new American and European markets in an effort to provide growers with additional marketing opportunities.

- ✓ The Ginseng Board of Wisconsin has retained a professional marketing consultant to develop international and domestic marketing plans.

- ✓ The first sales of Wisconsin ginseng to European markets will be to Sweden and then Germany in May of 1999.

- ✓ In the year 2000, Norway, Finland and Denmark will be targeted for distribution.

- ✓ In the year 2001, Poland, Great Britain, Ireland and Italy are goaled to receive Wisconsin ginseng.

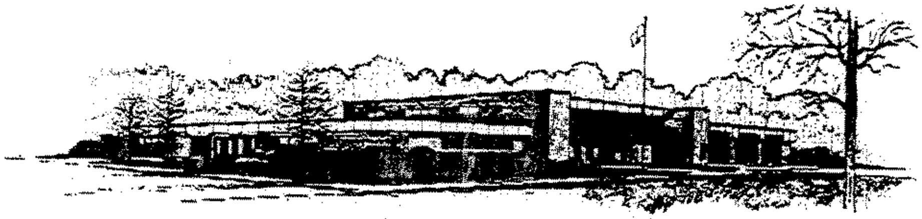
- ✓ The domestic market for botanical products is expected to reach $4 billion by year 2002. All indications point to the market expanding at a rate of

18 to 20% past the year 2005. Unfortunately, Wisconsin ginseng has a negligible share of this market.

- ✓ A domestic marketing plan will begin in the year 2000.
- ✓ The first Wisconsin Ginseng Coop has been established, a result and an indication of the growers commitment to working together.
- ✓ The Ginseng Board has been reorganized to better meet the demands of the future.

OUR REQUEST

- ✓ We are requesting assistance from the State to assist the industry in research.
- ✓ Research is required to maintain and improve the quality of the ginseng root, to establish quality standards, and to conclusively prove that Wisconsin ginseng is vastly superior to products from Korea, China, Canada and Siberia.
- ✓ Research is also required to scientifically show the health benefits of Wisconsin ginseng on the human body.
- ✓ Therefore, The Ginseng Board of Wisconsin requests $325,000 to be allocated for research that would be provided by the University of Wisconsin in cooperation and coordination with the Ginseng Board.
- ✓ As a direct result of these research efforts, as well as the opening of new markets, we project that the $100 million loss of revenue in the industry per year will be fully recaptured by the year 2004.
- ✓ This is expected to result in increased tax payments to the State of Wisconsin of at least $5 million annually.



General Government
715-345-5250
Fax 715-345-5253
Clerk
President
Treasurer
Administrator
Zoning Administrator
Assessor
Building inspection

VILLAGE OF PLOVER

2400 Post Road
P.O. Box 37
Plover, WI 54467

Fire Department
(Non Emergency)
715-345-5310
(Emergency) 911
Police Department
715-345-5255
Street Department
715-345-5257
WWTP Department
715-345-5259
Water Department
715-345-5254

DATE: April 13, 1999

TO: Joint Finance Committee

FROM: Daniel R. Mahoney, Administrator
AND SHERRI GALLE-TESKE / PRESIDENT OF PLOVER AREA BUSINESS ASSOCIATION

RE: State Budget

The Village of Plover appreciates the opportunity of providing comments on the Governor's proposed budget at the State Budget Hearing held in Stevens Point, Wisconsin. The Village would like to focus on two specific areas of the proposed budget, including transportation and recycling program funding.

The Village is very pleased to see the increases proposed for transportation funding within the State. This will certainly have a positive impact on Portage County and the village of Plover. Appropriate funding of the transportation budget is a significant concern to the Village of Plover, given the large number of transportation projects that are ongoing or necessary within Portage County over the next 10 years. Projects such as the CTH HH Second Bridge Project, I39 resurfacing, Eisenhower Widening Project, Hoover Avenue Widening Project, Highway 10 Reconstruction Project, Highway 66 Project and CTH B Amherst Bypass Project are critical to the needs of Village and County residents. The Village anticipates additional needs, such as completion of the Hoover Avenue widening, reconstruction of Business Highway 51 and widening of STH 54 from CTH B to I 39 over the next 20 years. With the tremendous amount of existing and planned projects within Portage County, the Village is concerned that appropriate Department of Transportation staffing levels are maintained. The Village is extremely concerned because District 4 programming levels have steadily increased over the last few years, while staffing has been held steady or has been decreased. It is critical that municipalities such as the Village of Plover have the ability to access DOT staff and receive the necessary assistance. As such, the Village urges adequate staffing of the DOT to meet the needs of the Vaillage of Plover and Portage County.

The Village also wishes to express its concern about the proposed elimination of the recycling grant program in two years. This Program is critical to the Village of Plover. The Village urges that an alternative source of funding be identified for the recycling program. The Village also encourages that an alternative source of funding be determined as soon as possible and not wait until the issue evolves into a crisis.

Thank you for your time and consideration!

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European and
American Specialties

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25 to 500 people

701 Second Street North • Stevens Point, Wisconsin 54481 • (715) 344-3365

My name is Bernard Kurzawa; I am the Chef and owner of Bernard's Country Inn in Stevens Point. I learned my trade by going through an Apprenticeship Program in Berlin Germany. I have trained apprentices since the early 80's. I serve on the Apprenticeship Advisory Counsel at DWD since 1990. I chair a sub-committee that has developed a program of continuing education for journey workers, which leads to a Trade Masters' Certification. This would make apprenticeship a more desirable career path and be a great alternative to a college education for young people that have difficulties with abstract academic learning.

Despite a long period of lobbying for funding for promotion and development of such a program, no funding has been appropriated in the Governors Budget. The Governor, in his Initiative on Building Tomorrow's Workforce, wants an increase in apprenticeship by 10% by the year 2001. I do not believe that is going to happen unless additional funding of $300,000.00 is made available for promotional material and program development , which were available until '87 when it was taken out of the budget for the Apprenticeship Bureau.

Now, I am not asking for spending more of the taxpayers' money. A study by the Federal Bureau of Apprenticeship and Training states that every dollar spent on apprenticeship pays back $20.60, because apprentices earn wages and pay taxes.

Furthermore, I would like this committee to consider a tax credit for those Employers that train apprentices. There is a considerable cost involved for Businesses to train apprentices. Businesses that don't have to train have considerable savings, which enables them to pay higher wages. It is the smaller shops that do the training and lose their workers to the bigger ones. To level the playing field and give incentives to train, there must be a tax credit, which the State of Connecticut has already implemented. The Apprenticeship Advisory Council has passed a resolution for such a credit for all apprenticable occupations unanimously.

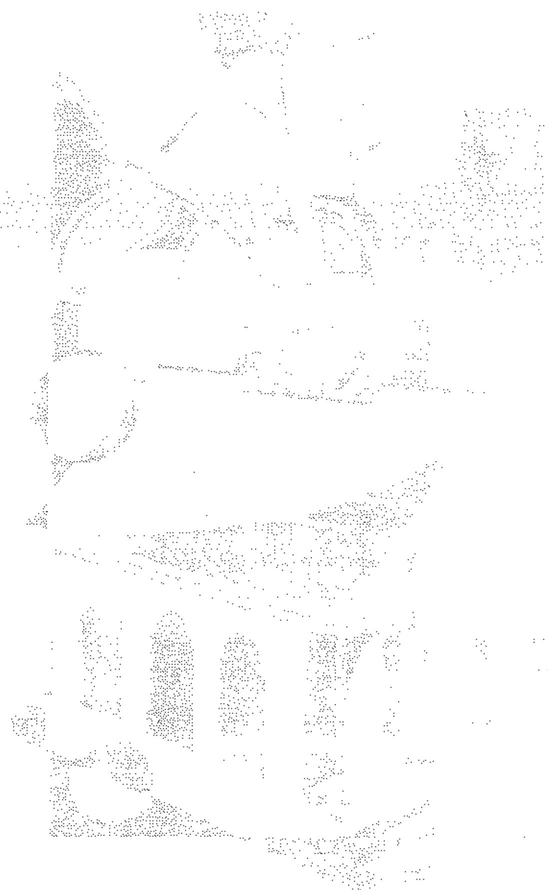
Wisconsin has been a leader in the Nations Apprenticeship training since 1911. If we don't bring our program up to speed for the next millenium, we will loose that leadership. The State of Iowa already has a Trade Masters Certification. Folks! We have some work to do.

Enclosed:

1. BAT Study on Economic impact of Apprenticeship
2. Tax credit State of Connecticut
3. Master Skilled Worker, State of Iowa
4. NTMA proposal on tax credit for training apprentices
5. Funding proposal for BAS

ECONOMIC IMPACT
of
REGISTERED APPRENTICESHIP

Costs and Benefits



Prepared by BAT/SAC Liaison Committee

ECONOMIC IMPACT OF APPRENTICESHIP

COST BENEFIT SURVEY

A survey of the economic impact of apprenticeship and government investment is being conducted by the BAT/SAC Liaison Committee. To date, 20 states and the Commonwealth of Puerto Rico have responded. The first phase of the survey looks at the expenditure of tax dollars for registration agencies, public-funded related instruction and the taxes apprentices pay while in the program. The survey covered approximately 170,000 apprentices in service, manufacturing and construction occupations.

The information collected included:

- Average wage of apprentices in each state based on research on the top 32 apprenticeships occupations.
- Average State and Federal taxes paid by apprentices.
- Total apprentices by state as of December 31, 1994.
- Employer investment as expressed in wages to apprentices.

RESULTS

Of the 21 states surveyed (including Puerto Rico), apprentices averaged $ 12.25 per hour for an average annual income of $ 24,509 and paid an average of $ 3,755 in State and Federal taxes per year.

For the apprentices surveyed, it is estimated that employers paid over $ 4.2 Billion in wages. Apprentices paid over $ 640 Million in State and Federal income taxes. Total investment by the Federal government and States was approximately $ 31 million.

Expressed as ratios:

> For every $1 invested in apprenticeship by Government, apprentices pay an average of $ 20.60 in State/Federal income taxes.
>
> For that same $1 invested by Government, employers invest over $ 134 in wages paid to apprentices.

NEXT STEPS

The BAT/SAC Liaison Committee will research the economic benefits for employers and apprentices in Phase II of the project.

> *The BAT/SAC Liaison Committee is composed of 12 representatives from State Apprenticeship Agencies and the Bureau of Apprenticeship and Training working to enhance the operation of registered apprenticeship.*

March 10, 1995 Economic Impact Workgroup

Present: Nick, Terry, Skip, Ron, Walt, Reuben, and Sandy

I. Formula 1- was changed as follows:

a. **State Resources Contributed** (Total apprenticeship state budget includes costs for staff FTE's; Related instruction funds budgeted if known; and specific programs cost such as state council operations.

b. **Total number of apprentices** (includes active, completed and cancelled apprentices for the period of January 1, 1990 - December 31, 1994)

c. **Most Populous Occupations** (include the top 32 occupations populated with registered apprentices which may in fact be a state's full workload). Arrange in industry groups so they may be sub-divided by Service, Manufacturing and Building/Construction.

d. **Average Hourly Wage** (the wage without fringe benefits at the beginning of the third year for all four and five year programs or the last wage progression [not the journey wage] for one and two year programs. Total the average hourly wage per occupation and divide by 32).

e. **Average Gross Annual Wage** (the average hourly wage, without fringe benefits, multiplied by 2000 hours).

f. **Gross Hourly Wages Paid By Employer** (the average annual multiplied by the number of apprentices).

g. **Average Tax Contribution** (Contact the state tax service or economic development office to find the average state and federal tax rate for a single, no dependents, renter, standard deduction tax payer with the income of (e) above or another way to compute this is to use the easy (EZ) forms provided by the IRS and state tax departments. Examples are attached).

B. Formula Methodology:

State Name expended $__(a)__ to support apprentice training. There were __(b)__ registered apprentices as of December 31, 1994. Of this number, __(c)__ are in the 32 most populous occupational titles, accounting for _____% of our registered apprentices. These apprentices earn an average hourly wage of $__(d)__ and an average gross annual wage of $__(e)__. Employers contribute $__(f)__ in average gross wages to apprentices while the average apprentices contributes $__(g)__ in income taxes to the state's and federal economy.

SURVEY HIGHLIGHTS

FOR THE 21 STATES SURVEYED

* State and Federal Investment was: **$31 Million**

* Employers Paid Wages to Apprentices of: **$4.2 Billion**

* Survey Covered: **171,384 Apprentices**

* 3rd Year Apprentice Gross Average Hourly Wage: **$ 12.25**

* An Apprentice Paid State & Federal 1994 Taxes Of: **$3,755.00**

* Total State/Federal Taxes Paid by Apprentices: **$ 643 Million**

IMPACT OF YOUR APPRENTICESHIP PROGRAM

* Calculate Total Expenses of Training Program

* Total Apprentices in Program

* Divide Costs by Number of Apprentices
  =
  Cost per Apprentice

FOR $1.00 TAX DOLLAR INVESTED

IN APPRENTICESHIP

THE EMPLOYER INVESTS

$134.42

IN WAGES

IMPACT ON COMMUNITY

* Estimate Average Apprentice Wage

Example:

Average apprentice is at 60% of skilled work

Apprentices average 1800 work hours per year

Total Apprentices X 1800 X Average Apprentice Wage = total wages earned by apprentices

* Add Total Training Costs

+

Total Apprentice Wages

=

Money generated by Apprenticeship in Community

APPRENTICESHIP COST BENEFIT ANALYSIS SURVEY

PARTICIPATING STATES

California
Hawaii
Illinois
Indiana
Kansas
Maine
Maryland
Massachusetts
Michigan
Minnesota
Missouri
Montana
Nebraska
New Mexico
New York
Ohio
Puerto Rico
Texas
Vermont
Virginia
Washington
Wisconsin

1994 APPRENTICESHIP COST BENEFIT ANALYSIS

DRAFT ESTIMATES 9/24/95

All States STATE	1994 State & Fed Tax Dollars Expended	1994 State Dollar Expended	1994 BAT Dollars Expended	Registered Apprentices Served thru 12/31/94	Number of Apprentice Top 32
California	$5,709,120	$5,400,000	$309,120	38,779	33,662
Hawaii	$902,560	$748,000	$154,560	3,744	3,330
Illinois	$772,800	$0	$772,800	9,350	9,350
Indiana	$540,960	$0	$540,960	6,466	6,466
Kansas	$312,085	$80,245	$231,840	960	940
Maine	$188,400	$111,120	$77,280	1,012	1,000
Maryland	$731,840	$500,000	$231,840	6,280	5,979
Massachusett	$472,840	$241,000	$231,840	5,862	4,452
Michigan	$772,800	$0	$772,800	9,162	9,162
Minnesota	$496,840	$265,000	$231,840	3,500	3,110
Missouri	$576,680	$113,000	$463,680	9,365	8,428
Montana	$417,280	$340,000	$77,280	685	685
Nebraska	$154,560		$154,560	1,043	1,043
New Mexico	$754,560	$600,000	$154,560	1,672	1,672
New York	$4,862,300	$4,475,900	$386,400	22,300	13,720
Ohio	$967,360	$40,000	$927,360	12,057	9,651
Puerto Rico	$526,788	$526,788		1,618	1,432
Texas	$4,081,920	$3,540,960	$540,960	7,503	6,694
Vermont	$392,280	$315,000	$77,280	675	600
Virginia	$1,909,120	$1,600,000	$309,120	11,411	9,070
Washington	$774,560	$620,000	$154,560	11,149	9,142
Wisconsin	$5,231,840	$5,000,000	$231,840	7,803	7,203
TOTAL	$31,549,493	$24,517,013	$7,032,480	172,396	146,791

1994 APPRENTICESHIP COST BENEFIT ANALYSIS

DRAFT ESTIMATES 9/24/95

All States STATE	% of all Apprentic	Average Hourly Wage	Gross Annual Wage	Employer Paid Gross Annual Wages	Average Apprentice State/Fed Taxes
California	87%	$13.89	$27,780	$1,077,280,620	$4,138
Hawaii	89%	$17.28	$34,560	$129,392,640	$7,974
Illinois	100%	$14.50	$29,000	$271,150,000	$4,099
Indiana	100%	$10.30	$20,600	$133,199,600	$2,896
Kansas	98%	$11.81	$23,620	$22,675,200	$3,371
Maine	99%	$11.03	$22,060	$22,324,720	$3,311
Maryland	95%	$9.02	$18,040	$113,291,200	$2,120
Massachusett	76%	$9.36	$18,720	$109,736,640	$3,922
Michigan	100%	$15.98	$31,960	$292,817,520	$5,408
Minnesota	89%	$14.00	$28,000	$98,000,000	$4,676
Missouri	90%	$12.70	$25,400	$237,871,000	$5,350
Montana	100%	$13.14	$26,280	$18,001,800	$5,958
Nebraska	100%	$11.00	$22,000	$22,946,000	$2,948
New Mexico	100%	$9.59	$19,180	$32,068,960	$2,309
New York	62%	$12.52	$25,040	$558,392,000	$3,935
Ohio	80%	$10.99	$21,980	$265,012,860	$3,057
Puerto Rico	89%	$4.59	$10,538	$17,050,484	$903
Texas	89%	$11.29	$22,580	$169,417,740	$2,449
Vermont	89%	$10.50	$21,000	$14,175,000	$2,500
Virginia	79%	$9.12	$18,240	$208,136,640	$2,265
Washington	82%	$11.53	$23,060	$257,095,940	$2,524
Wisconsin	92%	$9.79	$19,580	$152,782,740	$3,787
TOTAL	85%	$12.25	$24,495	$4,222,819,304	$3,753

1994 APPRENTICESHIP COST BENEFIT ANALYSIS

DRAFT ESTIMATES 9/24/95 All States STATE	For $1 tax Dollar, Employers Invest	For $1 tax Dollar, Apprentices Contribute	Total Tax Paid by Apprentices	Sac/ BAT Staff	Reg. Agency
California	$188.69	$28.11	$160,467,502	4	SAC
Hawaii	$143.36	$33.08	$29,854,656	2	SAC
Illinois	$350.87	$49.59	$38,325,650	10	BAT
Indiana	$246.23	$34.62	$18,725,536	7	BAT
Kansas	$72.66	$10.37	$3,236,160	3	SAC
Maine	$118.50	$17.79	$3,350,732	1	SAC
Maryland	$154.80	$18.19	$13,313,600	3	SAC
Massachusett	$232.08	$48.62	$22,990,764	3	SAC
Michigan	$378.90	$64.12	$49,548,096	10	BAT
Minnesota	$197.25	$32.94	$16,366,000	3	SAC
Missouri	$412.48	$86.88	$50,102,750	6	BAT
Montana	$43.14	$9.78	$4,081,230	1	SAC
Nebraska	$148.46	$19.89	$3,074,764	2	BAT
New Mexico	$42.50	$5.12	$3,860,648	2	SAC
New York	$114.84	$18.05	$87,750,500	5	SAC
Ohio	$273.95	$38.10	$36,858,249	12	SAC
Puerto Rico	$32.37	$2.77	$1,461,054	0	SAC
Texas	$41.50	$4.50	$18,374,847	7	BAT
Vermont	$36.13	$4.30	$1,687,500	1	SAC
Virginia	$109.02	$13.54	$25,845,915	4	SAC
Washington	$331.93	$36.33	$28,140,076	2	SAC
Wisconsin	$29.20	$5.65	$29,549,961	3	SAC
TOTAL	$133.85	$20.51	$646,966,190	91	

National Tooling &
Machining Association

NTMA
PRECISION

MILWAUKEE CHAPTER

June 30, 1998

To: Department of Workforce Development
Bureau of Apprenticeship Standards
State Machine Tool Apprenticeship Advisory Committee Members and Consultants

From: Milwaukee Chapter of the National Tooling and Machining Association

Subject: Wisconsin Income Tax Credit for Apprenticeship Training

Problem

Small high tech manufacturing firms for years have been fighting an increasing problem that is affecting the manufacturing base in Wisconsin. The problem is the shortage of an available skilled labor pool to fill our job openings. This is not a problem because of the recent low unemployment rate- it is a problem because of a lack of a trained workforce in high tech manufacturing. For the last 15 years, tool & die shops and precision machining companies have faced a chronic shortage of trained personnel. The shortage is getting worse as many of these trained craftsmen are now entering retirement and others are constantly being hired by large manufacturers.

In May of 1997 Wisconsin employers received a package from Governor Thompson that stated he wanted to ensure that state manufacturers have access to the resources they need in order to grow and prosper. This is a proposal that will help to keep Wisconsin's manufacturing base on the leading edge instead of falling prey to other states that are providing incentives for private training in high tech manufacturing areas.

Background

The shortage of adequately trained personnel is largely attributable to the demise of the large manufacturers' apprenticeship programs. Many large manufacturers that once had large apprenticeship programs are no longer in existence. Others have simply abandoned them. The result is today small machine shops and tool and die manufacturers are doing most of the apprenticeship training in high tech manufacturing.

At a recent career expo held at Waukesha County Technical College, a representative from Harley Davidson told the students in attendance that when they finish their high school and technical college education and get 8 years of work experience, only then should they apply at Harley because Harley only hires experienced applicants (although it was later confirmed that they do have 6 apprentices in tool & die and machine tool programs). A representative from Allen Bradley Rockwell told the audience that they have 1700 employees but only 9 apprentices in tool

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& die and machining related trades. Briggs and Stratton, once a large source of apprentice training now only has two apprentices in tool & die.

The Milwaukee Chapter of the National Tooling and Machining Association has been working hard the last 5 years to advertise the opportunities available in precision machining and tool & die so parents and students consider a career in high tech manufacturing. Our members spend tens of thousands of dollars training each apprentice. When the apprentice attains journeyman status, he often goes to big industry. To continue the apprenticeship programs, we need to even the playing field.

The big corporations can afford to hire our skilled apprentice graduates because they haven't spent the money it takes to train them. Unlike other apprenticeships such as carpentry, masonry, plumbing, etc. whereby the apprentice is hired initially as a low paid laborer to carry supplies and materials; apprentices in the machining and tool & die industries are running equipment, cutting expensive steel, and performing other tasks that require training, supervision, and expensive materials and equipment at each stage of the apprenticeship.

While millions of dollars are spent on the public school system, high school graduates aren't adequately prepared to enter the work force. Although millions are spent on the Wisconsin university system, only 1 in three students find meaningful employment in their field of study. We are spending hundreds of millions of dollars getting young people through the school system, yet leaving them unemployable when they need to enter into the workforce.

The Wisconsin Works program is promoting welfare recipients to get into the work force. They are finding jobs, but mostly at the bottom of the wage and skill scale. How many of these jobs are only available to the "W-2" applicants because the of current record unemployment rate? How many are permanent jobs and how many will be cut in the next economic downturn?

Proposal

At the core of manufacturing is the high tech cutting edge manufacturing of the tool & die and precision machining shops. These shops manufacture the tools, dies, molds, jigs, and fixtures that supply manufacturers in Wisconsin, nationally, and internationally. Precision machine shops supply the parts that manufacturers need to assemble automobiles, farm equipment, mining equipment, and high tech tools and machines. To keep Wisconsin's manufacturing base strong, more skilled precision machinists, tool and die makers, CAD/CAM operators, EDM specialists, and CNC operators are needed. These are just a few of the examples of the employment opportunities in the machine tool trades that offer great rewards and yet have positions that go unfilled.

These are positions that are trained using apprenticeships. Our proposal is to reimburse those businesses that hire and train apprentices in high tech manufacturing through the use of a tax credit. Since the intention of the credit is to reimburse the sponsoring company for the training expenses, the credit should be calculated on a per apprentice basis, using the numbered of indentured enrolled apprentices during the year as the multiplier. To simplify the calculation, and for the state's budgeting ease, the credit would be set at an arbitrary figure of $5,000 per year per state indentured apprentice.

To speed the implementation of this solution, we propose that the Department of Workforce Development include it as part of their budget proposal.

Advantages

- Increase employer training through the use of apprenticeships.
- Equitably reward the employers doing the training.
- Increase the amount of skilled high tech manufacturing employees in Wisconsin.
- Provide more W-2 jobs by moving semi-skilled personnel into apprenticeships thereby creating a vacuum to be filled by the unskilled W-2 entry workers.
- Expand the amount of high tech manufacturing in the state. This includes filling the shortages expected to increase in tool and die and precision machining plus continuing to provide trained personnel to the Wisconsin employers such as Harley Davidson, Allen Bradley, and the others who currently do little or no apprenticeship training.

Cost & Payback Period

The tax credit should cost the State of Wisconsin very little in the first few years and in the long term it will continue to generate great returns on the investment of $20,000 per apprentice.

The quick payback will be from a number of increased revenue sources for the state:

Increased Wisconsin Personal Income Tax Collections: Upon completion of a 10,400 hour machine tool apprenticeship (typically four years due to overtime and credit for technical college coursework completed), the average apprentice graduate (i.e. journeyman) is currently making $45,000 to $50,000 immediately. This is from scale that averages $22,000 the first year, $26,000 the second year, $30,000 the third year and $35,000 the fourth year. Incrementally, this apprenticeship graduate is making $25,000 more than an unskilled worker. Thus, at an incremental Wisconsin tax rate of 6.83%, in the year of graduation the state collects an additional $1,700 of personal income taxes.

Increased Wisconsin Corporate and S Corp Tax Collections: In the net results, a company makes money on its employees and capital assets. On a high tech employee they make even more. Assuming the average high tech manufacturer makes $12,000 per employee before tax, at an incremental S-Corp tax rate of 6.83%, the state collects an additional $820 in corporate taxes for each employee finishing an apprenticeship, regardless of whether the employee remains at the training employer or moves to another employer.

Increased Sales Tax Collections: On the incremental $25,000 increase in income, most will be spent on taxable sales in Wisconsin since most of the base wages would be spent on the nonsalestaxable transactions of food and housing. Thus, if $10,000 of the incremental wage gains were spent on taxable purchases such as dining out, entertainment, transportation, and household items, the state tax collections would increase by $500 per year.

Multiplier Effect: Various studies have listed the multiplier effect on manufacturing based jobs at anywhere from 1.8 times to 2.5 times. For this illustration of payback we will use a multiplier of 2.0.

Summary Calculation of Payback per apprentice at total of $20,000 tax credits:

Year:	Addit'nal Wages	Additional Inc. Taxes	Additional Corp. Tax	Additional Sales Tax	Multiplier Taxes	Total Add. Taxes	Cumul. Total
1	0	0	0	0	0	0	0
2	$ 1,000	$ 68	$ 0	$ 20	$ 88	$ 176	$ 176

3	$ 5,000	$ 324	$ 0	$ 100	$ 424	$ 848	$ 1,024
4	$10,000	$ 683	$ 0	$ 200	$ 883	$1,766	$ 2,790
5	$25,000	$1,707	$ 820	$ 500	$3,040	$6,067	$ 8,857
6	$25,000	$1,707	$ 820	$ 500	$3,040	$6,067	$14,924
7	$25,000	$1,707	$ 820	$ 500	$3,040	$6,067	$20,991

Thus, the first tax credit of $5,000 would have a payback period of 4.33 years, the second tax credit of $5,000 would have a payback period of 4 years, the third year tax credit of $5,000 would have a payback period of 3 years and the final fourth year tax credit of $5,000 would be paid back within 3 years. The payback would continue and multiply as the trained worker continued to increase his wages and other jobs and spending are created.

Summary:

Based on the continuing payback, the apprenticeship tax credit for tool and die and precision machining related trades (including EDM, CNC, Tool & Die Design, machining, and machine programming would have a quick payback to the state. It would provide a larger trained workforce further enhancing Wisconsin' reputation in industry. To speed up the passage of this proposal we believe it should be included in the budget for Department of Workforce Development.

We believe there are less than 1,000 apprentices in the tool and die and metal working related apprenticeships. We need to triple this number. If our goal of 3,000 metal working apprentices is achieved, it would create an initial state outlay of $15,000,000 per year before the effect of the return on this investment is taken into account. It would truly be a worthwhile investment in workforce development and Wisconsin's future.

Manufacturing Apprenticeship Tax Credit

INFORMATION SHEET

Corporate Tax Credit in Manufacturing Apprenticeship

Pursuant to Sections 12-217g-1 to 12-217g-8 of the Regulations of Connecticut State Agencies

The following is information concerning the Tax Credit for Manufacturing Apprenticeships against the Connecticut Corporate Business Tax imposed under Chapter 208 of the Connecticut General Statutes.

This tax credit is designed to encourage the development of skilled workers through apprentice training programs in order to counter the current and projected shortage of skilled craftworkers in the Manufacturing Trades which exists in Connecticut.

Some examples of crafts that are eligible for the Manufacturing Trades tax credit are: Machinist, Tool and Diemaker, Tool and Machine Setter, Plastic Technician, Injection Molding Technician, Moldmaker and in similar occupations which involve multiple work processes including the shaping of metals by machine tool equipment designed to perform cutting, grinding, milling, turning, drilling, boring, planing, hobbing, and abrading operations, and the set-up, operation, troubleshooting, repair, and maintenance of machinery used by the Manufacturing Industry.

Note: A taxpayer may submit a tax credit for an apprentice up to three (3) years from the due date of the taxpayer's last tax return.

Sec. 12-217g-3. Eligibility.
Any taxpayer who employs an apprentice duly enrolled and registered under the terms of a qualified Manufacturing Program is entitled to a tax credit for each eligible apprentice of up to $4,800.00 maximum or 50% of actual wages, whichever is less, provided such apprenticeships meet the following requirements:

a) The tax credit is limited to qualified Manufacturing Programs with apprenticeship periods of duration which are not less than 4,000 hours (2 years) and not more than 8,000 hours (4 years).

b) The apprentice must be employed on a full time basis which is defined as working a minimum of 120 hours per month at the trade. Up to 80 hours may be applied during the tax year against the 120 hour limitation.

c) Pre-apprentices are not counted as apprenticeships begun and wages earned by pre-apprentices are not eligible for tax credits under this regulation.

Note: The credit is applied only to the first half of the apprentice's period (or first three-fourths of the period for those in a four-year program).

For additional information in developing an apprenticeship or about the tax credit, please contact the Connecticut Department of Labor, Apprenticeship Division at (860) 566-2450 or the Business Services Unit of your local Job Center/*Connecticut Works* Center toll free at 1-888-CT WORKS.

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Connecticut Apprenticeship System

Connecticut Department of Labor Home Page