



minor changes
on 2, 3, & 9
pp
today, if possible

2001 BILL

Regenerate

1 **AN ACT to amend** 66.1105 (13), 71.07 (2dx) (a) 4., 71.28 (1dx) (a) 4., 71.47 (1dx)

2 (a) 4., 560.70 (2m) and 560.785 (2) (b); and **to create** 16.27 and 16.28 of the

3 statutes; **relating to:** requiring state agencies, political subdivisions, and

4 housing, redevelopment, and community development authorities, as well as

5 subsidy recipients, to report on subsidies provided to businesses; requiring

6 certain disclosures by business subsidy applicants; prohibiting business

7 subsidies under certain circumstances; defining a full-time job for purposes of

8 development zone tax credits; granting rule-making authority; requiring the

9 exercise of rule-making authority; and providing a penalty.

Analysis by the Legislative Reference Bureau

This bill creates reporting and other requirements for subsidies that are provided to businesses by state and local government agencies. Under the bill, a state agency is any office, department, agency, institution of higher learning, or other body in state government. A local government agency is any political subdivision, any housing, redevelopment, or community development authority, or any entity created by any of them. A business includes a nonprofit business if it has at least 100 full-time employees and the ratio of highest-paid employee to lowest-paid employee

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exceeds ten to one. A subsidy is defined as public improvements of at least \$25,000 in value that principally benefit a single business or a defined group of businesses; a grant, contribution of personal or real property, or preferential use of government facilities if the grant, contribution, or preferential use has a value of at least \$25,000; a loan or payment guarantee of at least \$75,000 in value; or a transaction between a business and an agency that has the potential to result in any of the previously mentioned benefits. Specifically excluded are such benefits as tax credits, housing assistance, and assistance for the sole purpose of providing job readiness and training services.

The bill requires every agency that awards or provides a subsidy to a business to develop criteria for awarding business subsidies and prohibits the awarding of any subsidy to a business before the criteria are developed. Although no approval of the criteria is required, the criteria are submitted to the department of administration (DOA). The criteria must set minimum requirements for a business to meet to be eligible for a business subsidy. The criteria specifically must require that, if job creation is the public purpose of a subsidy, all jobs that are created as a result of the subsidy must pay compensation that is equal to at least 200% of the federal poverty line for a family of two. Health insurance premiums paid by an employer may be counted toward meeting the compensation amount.

The bill requires an agency that grants a subsidy to enter into an agreement with the business receiving the subsidy. The agreement must contain specified information, such as the public purpose for the subsidy, measurable goals for the subsidy, the time by which the goals are to be achieved, any financial or other obligation of the business if it does not achieve the goals by the time set in the agreement, and, if the public purpose is job creation or retention, the number of jobs to be created or retained. In the agreement, the business must commit to continuing operations at the location where the subsidy is to be used for at least five years from when the full amount of the subsidy is received.

A business that receives a subsidy is required to submit a report within 24 months after first receiving the subsidy to the agency that granted the subsidy. Thereafter, the ~~agency~~ must submit a report annually until the time that was set in the subsidy agreement for achieving its goals. The information contained in the reports generally addresses the requirements set out in the subsidy agreement. In addition, the business must report on its progress toward achieving its goals and on the wages and cost of health care benefits for each job created or retained as a result of the subsidy. The reports submitted by a business must be kept by the granting agency in a centrally located and easily accessible file that includes the application, subsidy agreement, and all other documents related to the subsidy and that is open to public inspection. If a business fails to submit a report by the time it is due, the granting agency must notify the business within 30 days. If the report remains delinquent for six months after the due date, the granting agency must notify DOA and take any action for the recovery of the subsidy that is specified in the subsidy agreement. In addition, the business may not apply for another subsidy and an agency may not award another subsidy to the business. If the business eventually



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submits the report, however, it may apply for and be awarded another subsidy with the approval of DOA.

Annually, by April 1, every agency that received a report during the previous calendar year from one or more businesses that received subsidies must submit a report to DOA that summarizes the information submitted to the agency in the businesses' reports. In addition, the department of commerce must annually, by June 1, file a report with DOA that provides specified information about the development zone and technology zone programs, which are administered by the department of commerce and under which businesses located in areas of the state designated as development or technology zones receive tax credits for certain activities, such as job creation. Annually, by August 1, DOA is required to publish a report for the previous calendar year that compiles and summarizes the reports received from the agencies that granted business subsidies; that includes the report received from the department of commerce on the development and technology zone programs; and that, every other year, summarizes the biennial report of the department of commerce on the social, economic, and financial effects of tax incremental financing projects. The report published by DOA must provide information about the total amount of business subsidies awarded in each county; the distribution of business subsidies, categorized by various characteristics, such as type, amount, and public purpose; the number and percentage of subsidy recipients that achieved their goals within the time set, and the number of jobs created as a result of business subsidies, shown by wage bands.

In addition to the reporting requirements, the bill imposes other requirements related to business subsidies. The bill requires every applicant for a business subsidy to reveal in the application whether the applicant has been found in a court or administrative proceeding to have violated any federal or state environmental or labor law. The bill requires that, before a business subsidy is awarded, the agency awarding the subsidy must conduct at least two public hearings in the political subdivision in which the applicant proposes to conduct the project for which the subsidy is to be awarded. The bill prohibits an agency from awarding to an applicant a business subsidy that is in the form of a grant, loan, loan guarantee, or contribution of personal or real property if the applicant intends to use the business subsidy to subsidize any portion of the cost of moving its business operations within the state from one political subdivision to another, unless the political subdivision from which the business will be moved consents to the move, or ~~this state~~ ~~to~~ another state with which this state has entered into an agreement related to businesses moving from one state to another.

Under the development zone programs under current law, businesses may be certified by the department of commerce for tax credits on the basis of, among other things, the number of full-time jobs that are created in a development zone. A full-time job is defined as a regular, nonseasonal full-time position in which an individual is required to work at least 2,080 hours per year and for which the individual receives pay that is equal to at least 150% of the federal minimum wage and benefits that are not required by federal or state law. The bill changes the definition of full-time job with respect to pay for purposes of the development zone

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programs, and makes the pay that is required consistent with that required under the bill for business subsidies that have job creation as the public purpose. Instead of 150% of the federal minimum wage, a full-time job must pay compensation that is equal to at least 200% of the federal poverty line for a family of two. Health insurance premiums paid by the employer may be counted toward the compensation amount.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 16.27 of the statutes is created to read:

2 **16.27 Definitions for business subsidy awards and reports.** In this
3 section and s. 16.28: _____

4 (1) “Agency” means a state agency or a local government agency.

5 (2) “Business” means:

6 (a) Any person engaged in a business enterprise for profit in this state.

7 (b) Any organization or enterprise operating not for profit in this state that has
8 at least 100 full-time positions with a ratio of highest-paid to lowest-paid employee
9 that exceeds 10 to one, determined on the basis of full-time equivalent positions.

10 (3) (a) Except as provided in par. (b), “business subsidy” means:

11 1. Public improvements of at least \$25,000 in value that are made to buildings
12 or lands owned by the state or a political subdivision and that serve a public purpose
13 but that principally benefit a single business or a defined group of businesses at the
14 time the improvements are made.

15 2. Any of the following that has a value of at least \$25,000 and that is given to
16 a business by an agency:

17 a. A grant.

18 b. A contribution of personal or real property or infrastructure.

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1 c. Any preferential use of government facilities.

2 3. Any of the following that has a value of at least \$75,000 and that is given to
3 a business by an agency:

4 a. A loan.

5 b. A guarantee of any payment under a loan, lease, or other obligation.

6 4. A transaction between a business and an agency, regardless of how
7 structured, with the potential to result in a benefit described under subd. 1., 2., or
8 3.

9 (b) "Business subsidy" does not include any of the following:

10 1. Assistance for the sole purpose of providing job readiness and training
11 services.

12 2. Housing assistance.

13 3. Energy conservation assistance.

14 4. A reduction or deferral of any tax or fee, including tax credits under ch. 71,
15 general tax reductions, and tax reductions resulting from conformity with federal
16 law.

17 5. General changes in the tax incremental financing laws and other general tax
18 law changes.

19 6. Worker's compensation and unemployment compensation.

20 7. Payment to a person providing goods or services to this state under subch.
21 IV or V or under ch. 84.

22 8. Funds from bonds issued for the benefit of any institution, facility, or
23 organization described in section 501 (c) (3) of the Internal Revenue Code that is
24 exempt from federal taxation under section 501 (a) of the Internal Revenue Code.

25 9. Assistance for a consortium, as defined in s. 560.60 (3).

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1 10. Federal loan funds provided through the U.S. economic development
2 administration.

3 **(3m)** “Development zone” means a development zone under ss. 560.71 to
4 560.78, a development opportunity zone under s. 560.795, or an enterprise
5 development zone under s. 560.797.

6 **(4)** “Grantor” means an agency that awards or provides a business subsidy.

7 **(5)** “Local government agency” means any political subdivision, housing
8 authority created under ss. 66.1201 to 66.1211, redevelopment authority created
9 under s. 66.1333, or community development authority created under s. 66.1335, or
10 any entity created or authorized by any of them.

11 **(6)** “Political subdivision” means a city, village, town, or county.

12 **(7)** “Recipient” means a business that is benefited by a business subsidy under
13 sub. (3) (a) 1. or that receives a business subsidy under sub. (3) (a) 2., 3., or 4.

14 **(8)** “State agency” means any office, department, agency, institution of higher
15 education, association, society, or other body in state government that is created or
16 authorized to be created by the constitution or any law, including any authority
17 created under ch. 231, 233, or 234 but not including the legislature or the courts.

18 **(9)** “Technology zone” means a technology zone under s. 560.96.

19 **SECTION 2.** 16.28 of the statutes is created to read:

20 **16.28 Business subsidies; awarding and reporting requirements. (1)**

21 DEVELOPING CRITERIA; APPLICATION REQUIREMENTS; PUBLIC HEARINGS; PROHIBITIONS. (a)

22 Every grantor shall develop criteria for awarding business subsidies. The criteria
23 shall set minimum requirements that a business must meet to be eligible for a
24 business subsidy. The criteria shall provide that, if the public purpose for the subsidy
25 is job creation, all jobs created as a result of the subsidy must provide compensation

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1 that is equal to at least 200% of the federal poverty line, as defined under 42 USC
2 9902 (2), for a family of 2 persons. Compensation may include health insurance
3 premiums paid by the employer on behalf of the employee, for purposes of
4 determining whether this requirement is met.

5 (b) No grantor may award a business subsidy until the grantor has developed
6 the criteria required under par. (a).

7 (c) A copy of the criteria developed under par. (a) shall be submitted along with
8 the first annual report filed by the grantor under sub. (4). A copy of any changes to
9 the original set of criteria developed under par. (a) shall be submitted along with the
10 first annual report that is filed by the grantor after the changes are made. If in
11 awarding a business subsidy a grantor deviates from the criteria developed under
12 par. (a), the grantor shall document the reason for the deviation in writing and
13 submit a copy of that documentation along with the first annual report that is filed
14 by the grantor after the deviation occurs.

15 (cm) 1. Every applicant for a business subsidy shall reveal in the application
16 whether, in the preceding 5 years, the applicant has been determined to have
17 violated any federal or state environmental or labor law by an administrative
18 proceeding, civil action, criminal action, or other legal proceeding. For purposes of
19 this paragraph, issuance of an order or acceptance of an agreement requiring
20 corrective action or a stipulated fine, forfeiture, or other penalty is considered a
21 determination of a violation, regardless of whether there is a finding or admission
22 of liability.

23 2. For a violation described in subd. 1. that resulted in a finding, the applicant
24 shall describe the finding and the penalty assessed and shall specify the entity that
25 made the finding and the location of the public records relating to the matter.

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1 3. For a violation described in subd. 1. that resulted in an agreement for
2 corrective action or a stipulated fine, forfeiture, or other penalty, the applicant shall
3 provide a summary description of the violation that led to the agreement or
4 stipulation and, if the agreement or stipulation is a public record, a summary
5 description of the agreement or stipulation and the location of the agreement or
6 stipulation as a public record.

7 (d) 1. Except as provided in subd. 2., before awarding a business subsidy to a
8 subsidy applicant, a grantor shall conduct at least 2 public hearings in the political
9 subdivision in which the applicant proposes to conduct the project for which the
10 subsidy will be used. The 2nd public hearing must be held at least 30 days after the
11 first public hearing and at least 30 days before the final decision is made on whether
12 to award the business subsidy to the applicant. Notice of each hearing shall be given
13 by publication of a class 1 notice under ch. 985 in a newspaper that is likely to give
14 notice in the political subdivision in which the applicant proposes to conduct the
15 project for which the subsidy will be used.

16 2. The requirement under subd. 1. does not apply if, under another process that
17 is separate and distinct from the process under this section, at least one public
18 hearing has been held with respect to the project for which the subsidy will be used.

19 (e) A grantor may not award to a business subsidy applicant a business subsidy
20 in the form of a grant, a loan, a loan guarantee, or a contribution of personal or real
21 property if any of the following applies:

22 1. The business subsidy will be used to subsidize any portion of the cost of
23 moving the applicant's business operations from one political subdivision in this
24 state to another political subdivision in this state. This subdivision does not apply

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1 if the governing body of the political subdivision from which the applicant intends
2 to move consents to the move in writing, which may be by resolution.

3 2. The business subsidy will be used to subsidize any portion of the cost of
4 moving the applicant's business operations ~~from~~^{to} this state ~~to~~^{from} a state with which this
5 state has entered into an agreement or compact related to businesses moving from
6 one state to another, except as allowed under the terms of the agreement or compact.

7 (f) 1. Except as provided in subd. 2., a recipient may not apply for another
8 business subsidy, and a grantor may not award another business subsidy to a
9 recipient, if the recipient fails to submit a report required under sub. (3) (a) within
10 6 months of the time required for submitting such report under sub. (3) (b).

11 2. A recipient that submits a report more than 6 months after the time required
12 under sub. (3) (b) may apply for, and may be awarded, another business subsidy only
13 upon the approval of the department.

14 (2) SUBSIDY AGREEMENT. (a) Whenever a grantor provides a business subsidy,
15 the recipient shall enter into a subsidy agreement with the grantor. The subsidy
16 agreement shall include all of the following:

17 1. A description of the subsidy, including the amount, or fair market value, and
18 type of subsidy.

19 2. A statement of the public purpose for the subsidy.

20 3. A statement of why the subsidy is needed.

21 4. Specific measurable goals for the subsidy.

22 4m. If the public purpose for the subsidy is the creation or retention of jobs,
23 specific measurable goals for the number of jobs to be created or retained and wage
24 goals for the jobs to be created or retained.

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1 5. If the public purpose for the subsidy is the retention of jobs, the total number
2 of jobs currently provided by the recipient and identification of the jobs that would
3 be lost without the subsidy.

4 6. The time by which the goals specified in subd. 4. and, if applicable, in subd.
5 4m. are to be achieved.

6 7. A commitment to continue operations at the location where the subsidy is
7 to be used for at least 5 years from the date of receiving the full amount of the subsidy.

8 8. A description of any financial or other obligation of the recipient if the goals
9 under subd. 4. or, if applicable, under subd. 4m. are not met by the time specified
10 under subd. 6. or if the recipient ceases operations at the location before the time
11 specified in subd. 7.

12 9. The name and address of the recipient's parent corporation, if any.

13 10. A list, by amount and provider, of all other public financial assistance for
14 the project for which the subsidy will be used.

15 (b) A subsidy agreement under par. (a) shall be in writing and signed by both
16 the recipient and the grantor. If the grantor is a local government agency that is not
17 a political subdivision, the governing body of the political subdivision within which
18 the local government agency operates must approve the agreement.

19 **(3) REPORTS OF RECIPIENTS.** (a) Each recipient shall submit to its grantor, by
20 the time required under par. (b), a report developed by the grantor that provides the
21 following information:

22 1. The type, public purpose, and amount of the subsidy.

23 2. The hourly wage of each job created or retained as a result of the subsidy,
24 shown in separate wage bands.

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1 3. The sum of the hourly wages and cost of health care benefits provided by the
2 recipient, shown in separate wage bands.

3 4. A statement of the goals identified in the subsidy agreement under sub. (2)
4 (a) 4.

5 4m. If the public purpose for the subsidy is the creation or retention jobs, a
6 statement of the goals identified in the subsidy agreement under sub. (2) (a) 4m. and
7 a statement of the progress toward meeting the job and wage goals or the date on
8 which the job and wage goals were or are expected to be achieved.

9 5. If the public purpose for the subsidy is the retention of jobs, the total number
10 of jobs currently provided by the recipient and the status of the jobs identified under
11 sub. (2) (a) 5.

12 5m. If the public purpose for the subsidy is the creation of jobs, the total number
13 of jobs currently provided by the recipient that satisfy the requirements under sub.
14 (1) (a) compared to the average number of jobs provided by the recipient in the 12
15 months preceding the period covered by this report that satisfied those
16 requirements.

17 6. A statement of any financial or other obligation of the recipient under sub.
18 (2) (a) 8. and a statement of the progress toward meeting the obligation or the date
19 on which the obligation was or will be met.

20 7. The location of the recipient before receiving the business subsidy.

21 8. The name and address of the recipient's parent corporation, if any.

22 9. A list, by amount and provider, of all other public financial assistance for the
23 project.

24 10. Any other information requested by the grantor.

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1 (b) The recipient shall submit a report, as required under par. (a), within 24
2 months after the subsidy is first provided. Annually thereafter, until the time
3 specified in the subsidy agreement under sub. (2) (a) 6., the recipient shall submit
4 a report, as required under par. (a), for the period since the previous report was
5 submitted.

6 (c) If a recipient fails to submit a report by the time the report is due, the grantor
7 shall within 30 days after the due date notify the recipient that the report is overdue.
8 If the report remains delinquent for 6 months after the due date, the grantor shall
9 notify the department and commence any action or proceedings to recover the
10 subsidy that are specified in the subsidy agreement, and the recipient shall be
11 ineligible for any other business subsidies, as provided in sub. (1) (f).

12 (d) For each recipient, a grantor shall keep a centrally located and easily
13 accessible file containing the recipient's application, all documents related to the
14 application, the subsidy agreement entered into under sub. (2), and all reports
15 submitted under this subsection.

16 **(4) REPORTS OF GRANTORS.** (a) Annually, no later than April 1, every grantor
17 shall manually or electronically file with the department a report on the form
18 described in par. (b).

19 (b) The department shall develop a report form to be completed by grantors that
20 does all of the following:

21 1. Summarizes the information submitted to the grantor during the previous
22 calendar year in the reports under sub. (3).

23 2. Minimizes confusion and duplication in the reporting process through the
24 use, for each recipient, of a consistent, unique identifier, such as the recipient's
25 federal employer identification number.

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1 3. Enables the department to produce a compilation and summary of the
2 reports under par. (a), as required under sub. (5).

3 (c) In addition to filing any report that is required under par. (a), the
4 department of commerce shall annually, no later than June 1, file with the
5 department of administration a report on the development zone programs under
6 subch. VI of ch. 560 and the technology zone program under s. 560.96 that includes
7 all of the following information:

8 1. Identification of all development zones and technology zones in effect and the
9 total amount of tax credits that may be claimed in each of those zones.

10 2. A listing of every person in each development zone or technology zone in
11 effect that has claimed a total of \$25,000 or more in tax credits.

12 3. The total tax credits claimed, both in the previous calendar year and since
13 the zone was designated, in each development zone or technology zone in effect.

14 4. The public purpose for which each person listed in subd. 2. was certified for
15 tax credits.

16 5. The progress each person listed in subd. 2. has made in achieving the public
17 purpose specified in subd. 4.

18 6. The criteria used to measure the progress made in achieving the public
19 purposes specified in subd. 4.

20 7. The total number of jobs that satisfy the compensation criteria under sub.
21 (1) (a) that have been created, both in the previous calendar year and since the zone
22 was designated, in each development zone or technology zone in effect.

23 8. The total number of jobs that satisfy the compensation criteria under sub.
24 (1) (a) that have been retained, both in the previous calendar year and since the zone
25 was designated, in each development zone or technology zone in effect.

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1 (5) DEPARTMENT REPORT, COMPILATION AND SUMMARY. (a) Annually, by August 1,
2 the department shall publish for the previous calendar year a report that includes
3 the report filed under sub. (4) (c) and a compilation and summary of the reports
4 received from grantors under sub. (4) (a). In each year after the year in which the
5 department receives the report under s. 66.1105 (13), the department shall include
6 a summary of that report in the report under this subsection.

7 (b) The portion of the report under this subsection that is the compilation and
8 summary of the reports under sub. (4) (a) shall include at least all of the following
9 information:

10 1. The total amount of business subsidies awarded in each county of the state.

11 2. Distribution of business subsidies, categorized by subsidy amounts.

12 3. Distribution of business subsidy amounts, categorized by the length of time
13 over which the subsidy is provided.

14 4. Distribution of business subsidies, categorized by type of subsidy, amount of
15 subsidy, and public purpose.

16 5. The percentage and number of recipients that reached their goals by the
17 times specified in their subsidy agreements under sub. (2) (a) 6.

18 6. The percentage and number of recipients that reached their interim goals,
19 if any.

20 7. The percentage and number of recipients that did not reach their goals by
21 the times specified in their subsidy agreements under sub. (2) (a) 6.

22 8. The total dollar amount of business subsidies provided to recipients that did
23 not reach their goals by the times specified in their subsidy agreements under sub.

24 (2) (a) 6.

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1 9. The number of jobs created as a result of business subsidies, shown by wage
2 bands.

3 10. Fringe benefits paid or otherwise provided as a result of business subsidies,
4 shown by wage bands.

5 (c) The compilation and summary of the reports under sub. (4) (a) shall be
6 presented in a manner that allows for comparisons across time periods and among
7 grantors and, in addition, shall include sufficient information to enable comparisons
8 between wages paid and fringe benefits provided by new jobs created as a result of
9 business subsidies and wages paid and fringe benefits provided by comparable jobs
10 in each area in which the new jobs are created.

11 (6) PUBLIC RECORD REQUIREMENT. Business subsidy applications, all documents
12 related to business subsidy applications, recipient reports under sub. (3), grantor
13 reports under sub. (4), and the report under sub. (5) are open to public inspection.

14 (7) RULES. The department shall promulgate rules for the administration of
15 this section. The rules shall provide reporting standards, including standards for the
16 disclosures required under sub. (1) (cm), to ensure that information is reported by
17 recipients and grantors in a uniform manner.

18 (8) RESPONSIBILITY FOR COMPLIANCE AND RELATION TO OTHER REQUIREMENTS. (a)
19 If the agency that awards a business subsidy is different from the agency that
20 provides the business subsidy, the agency that provides the business subsidy shall
21 determine how the requirements under this section for the grantor of the business
22 subsidy will be met, and may delegate the responsibility for any such requirement
23 to the agency that awards the business subsidy.

24 (b) Except as provided in sub. (1) (d) 2., the requirements under this section
25 related to awarding or providing a business subsidy, including the awarding criteria

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1 developed under sub. (1) (a), the subsidy agreement under sub. (2), and the recipient
2 reporting requirements under sub. (3), are in addition to any other requirements
3 with which an agency or recipient must comply with respect to the business subsidy.
4 If a conflict exists between a requirement under this section and any other
5 requirement with respect to a business subsidy, the requirement under this section
6 controls.

7 **SECTION 3.** 66.1105 (13) of the statutes is amended to read:

8 66.1105 (13) The department of commerce, in cooperation with other state
9 agencies and local governments, shall make a comprehensive report to the governor
10 and the chief clerk of each house of the legislature, for distribution to the legislature
11 under s. 13.172 (2), at the beginning of each biennium, beginning with the 1977
12 biennium, as to the effects and impact of tax incremental financing projects socially,
13 economically, and financially. Beginning with the 2003 biennium, the department
14 of commerce shall also provide a copy of the report to the department of
15 administration for purposes of the report requirement under s. 16.28 (5) (a).

16 **SECTION 4.** 71.07 (2dx) (a) 4. of the statutes is amended to read:

17 71.07 (2dx) (a) 4. “Full-time job” means a regular, nonseasonal full-time
18 position in which an individual, as a condition of employment, is required to work at
19 least 2,080 hours per year, including paid leave and holidays, and for which the
20 individual receives pay compensation that is equal to at least 150% of the federal
21 ~~minimum wage and receives benefits that are not required by federal or state law~~
22 200% of the federal poverty line, as defined under 42 USC 9902 (2), for a family of
23 2 persons. Compensation may include health insurance premiums paid by the
24 employer on behalf of the employee, for purposes of determining whether the

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1 compensation requirement is met. “Full-time job” does not include initial training
2 before an employment position begins.

3 **SECTION 5.** 71.28 (1dx) (a) 4. of the statutes is amended to read:

4 71.28 (1dx) (a) 4. “Full-time job” means a regular, nonseasonal full-time
5 position in which an individual, as a condition of employment, is required to work at
6 least 2,080 hours per year, including paid leave and holidays, and for which the
7 individual receives pay compensation that is equal to at least 150% of the federal
8 ~~minimum wage and receives benefits that are not required by federal or state law~~
9 200% of the federal poverty line, as defined under 42 USC 9902 (2), for a family of
10 2 persons. Compensation may include health insurance premiums paid by the
11 employer on behalf of the employee, for purposes of determining whether the
12 compensation requirement is met. “Full-time job” does not include initial training
13 before an employment position begins.

14 **SECTION 6.** 71.47 (1dx) (a) 4. of the statutes is amended to read:

15 71.47 (1dx) (a) 4. “Full-time job” means a regular, nonseasonal full-time
16 position in which an individual, as a condition of employment, is required to work at
17 least 2,080 hours per year, including paid leave and holidays, and for which the
18 individual receives pay compensation that is equal to at least 150% of the federal
19 ~~minimum wage and receives benefits that are not required by federal or state law~~
20 200% of the federal poverty line, as defined under 42 USC 9902 (2), for a family of
21 2 persons. Compensation may include health insurance premiums paid by the
22 employer on behalf of the employee, for purposes of determining whether the
23 compensation requirement is met. “Full-time job” does not include initial training
24 before an employment position begins.

25 **SECTION 7.** 560.70 (2m) of the statutes is amended to read:

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1 560.70 (2m) "Full-time job" means a regular, nonseasonal full-time position
2 in which an individual, as a condition of employment, is required to work at least
3 2,080 hours per year, including paid leave and holidays, and for which the individual
4 receives pay compensation that is equal to at least ~~150%~~ of the federal minimum
5 ~~wage and benefits that are not required by federal or state law~~ 200% of the federal
6 ~~poverty line, as defined under 42 USC 9902 (2), for a family of 2 persons.~~
7 Compensation may include health insurance premiums paid by the employer on
8 behalf of the employee, for purposes of determining whether the compensation
9 requirement is met. "Full-time job" does not include initial training before an
10 employment position begins.

11 **SECTION 8.** 560.785 (2) (b) of the statutes is amended to read:

12 560.785 (2) (b) The requirement under ss. 560.70 (2m) and 560.797 (1) (am)
13 that an individual's pay compensation must equal at least ~~150%~~ 200% of the federal
14 ~~minimum wage poverty line, as defined under 42 USC 9902 (2), for a family of 2~~
15 ~~persons.~~

16 **SECTION 9. Initial applicability.**

17 (1) The treatment of sections 16.27 and 16.28 of the statutes first applies to
18 business subsidies, as defined in section 16.27 (3) of the statutes, as created by this
19 act, that are awarded on the first day of the 10th month beginning after publication.

20 (2) The treatment of sections 71.07 (2dx) (a) 4., 71.28 (1dx) (a) 4., 71.47 (1dx)
21 (a) 4., 560.70 (2m), and 560.785 (2) (b) of the statutes first applies to taxable years
22 beginning on January 1, 2003.

23 (END)

Kahler, Pam

From: Miller, Mark
Sent: Friday, February 22, 2002 4:22 PM
To: Kahler, Pam
Subject: Subsidy Accountability And Reporting Act, LRB 2658/2

Pam,
You probably thought I had given up on this bill, but in fact I was meeting with agencies. Because of the very short time remaining in this session, I circulated the bill for co-sponsorship today based on the attached changes I am requesting. I'd like the revisions as soon as possible so I can provide an updated legislative analysis and a copy of the bill to members who request it.



Draft Instructions
for -3LRB2....

Mark

Mark Miller

48th Assembly District

P.O. Box 8953

Madison, WI 53708

Phone 608.266.5342, FAX 608.282.3648

rep.miller@legis.state.wi.us

**Revisions requested for LRB 2658/2
Subsidy Accountability and Reporting Act**

1. LAB replaces DOA for all DOA functions in /2 except for being the agency notified when a recipient is more than six month's delinquent and reinstatement authority. LAB can decide whether an agency's program is subject to the reporting requirements. [items 14, 18-26]

2. Every state agency that administers economic development programs for which local government agencies are grantors of state funds for business subsidies that meet the criteria in 3 (a) and (b) shall assure that the requirements of 16.28 are complied with. *not defined*

3. Exempt any payments made under condemnation authority, including relocation assistance payments, from the provisions of the bill.

4. Exclude DOT except for "T Grants" [ref] or similar programs that DOT may administer. *A. 84.185*

5. Page 4, line 11: Change "value" to "cost".

6. Page 4, lines 12 to 13: Delete "and that serve a public purpose but that principally" to "that exclusively".

7. Page 4, line 15: change "has a value of at least" to "have a cost to an agency or the state of at least".

8. Page 5, line 1: delete that line and replace with "Any transfer of property to a business by an agency at \$25,000 or more below acquisition cost or fair market value, whichever is greater."

9. Page 5, lines 6-8: delete.

10. I want to clearly exclude agency purchases through the normal procurement process. One way to do this is at page 5, lines 20 and 21: delete those lines and replace them with the following: "The purchase of goods or services by an agency or the state."

11. Page 5, Line 25 Exempt all assistance provided by the University of Wisconsin System, not just consortiums. *exclude under (3)(b)* *> D-note*

12. Page 6, line 2: Provide that the definition of business subsidy does not include any amount which meets the criteria for business subsidies but that is provided pursuant to a statutory provision that identifies the specific recipient or the amounts. (In other words, the administering agency has no discretion over whether to provide the amounts or who receives the amounts.) Provide that for

report part

these amounts, the administering agency shall provide the following information to the LAB annually for amounts dispersed during the reporting period.

- The identity of the recipient.
- The amount provided to the recipient.
- The statutory authority under which the amounts were provided.

Require this information to be included in the compilation prepared by the LAB, but provide that LAB is not required to provide an analysis of these amounts, except to summarize this activity.

- ✓ 13. Page 8, line 7-15: Delete these lines and provide that no business subsidy may be granted unless a noticed meeting, at which information about the subsidy is provided and public comment is entertained, precedes the decision to award the subsidy by at least 30 days.
- ✓ 14. Page 9, line 13, The Department of Administration retains the authority to reinstate a recipient who lost subsidy eligibility for failure to submit a report. (this is also accomplished in my #25, below)
- ✓ 15. Page 10, line 20: revise (b) to read: a report in a format specified by the grantor that...
- ✓ 16. Page 11, line 1: replace "care benefits" with "insurance premiums." *wont pickup self-insured*
- ✓ 17. Page 11, line 16: after that line, insert the following: " 5r. If the public purpose for the subsidy is not the creation or retention of jobs, a statement of the goals identified in the subsidy agreement and a statement of progress towards meeting those goals."
- ✓ 18. Page 12, lines 16 on: Require that grantors file their reports with the LAB rather than DOA.
- ✓ 19. Page 12, line 9: Grantors must report recipients whose reports are more than six months delinquent to DOA.
- ✓ 20. Page 12, line 19-20: Delete those lines and replace with the following: "The LAB may develop a report form for manual or electronic submission by grantors to assure collection of appropriate data to enable LAB to carry out the analysis required under sub. (5)." *
- ✓ 21. Page 12, line 21: delete the material beginning on that line and ending on page 13, line 2.
- ✓ 22. Page 14, line 1-2: replace DOA with LAB. Replace the text to read (or words to this effect): " (a) Annually, by August 1, the LAB shall publish a summary report

D-note



of the business subsidy activity for the previous year. The report shall include such information and assessments as the LAB deems appropriate for the legislature to evaluate the cost, effectiveness, and equity of the investment of public moneys in business and economic development. The summary report may include any information and data available to the LAB, and need not be limited to the information submitted to LAB under [ref.], but shall include a summary of the information filed under [ref]

not appropriate

- ✓ 23. Page 15, lines 14 - 17: Eliminate rulemaking authority that would have been provided to DOA.
- ✓ 24. Provide that if an agency is not sure whether a report must be filed in a particular, LAB can decide.
- ✓ 25. Page 14, lines 1-6: Provide that LAB, rather than DOA, shall publish the report.
- 26. Pages 14 -15: Provide that in addition to compiling reports, LAB shall compare and evaluate the effectiveness of each business subsidy or each program providing business subsidies in achieving a public purpose and make recommendations for improvements to the programs. Provide that the report prepared by LAB shall include any other information and analysis deemed relevant by the LAB.

(e)
(f)
(g)





minimum

2001 BILL

Draft
by Thursday

✓ requiring the legislative
audit bureau to publish
a report on business
subsidies and to
evaluate their
effectiveness;

regenerate ✓

1 AN ACT to amend 66.1105 (13), 71.07 (2dx) (a) 4., 71.28 (1dx) (a) 4., 71.47 (1dx)

2 (a) 4., 560.70 (2m) and 560.785 (2) (b); and to create 16.27 and 16.28 of the

3 statutes; **relating to:** requiring state agencies, political subdivisions, and

4 housing, redevelopment, and community development authorities, as well as

5 subsidy recipients, to report on subsidies provided to businesses; requiring

6 certain disclosures by business subsidy applicants; prohibiting business

7 subsidies under certain circumstances; defining a full-time job for purposes of

8 development zone tax credits; ~~granting rule-making authority; requiring the~~

9 ~~exercise of rule-making authority~~ and providing a penalty. ✓

Analysis by the Legislative Reference Bureau

This bill creates reporting and other requirements for subsidies that are provided to businesses by state and local government agencies. Under the bill, a state agency is any office, department, agency, institution of higher learning, or other body in state government. A local government agency is any political subdivision, any housing, redevelopment, or community development authority, or any entity created by any of them. A business includes a nonprofit business if it has at least 100 full-time employees and the ratio of highest-paid employee to lowest-paid employee

BILL

exceeds ten to one. A subsidy is defined as public improvements ^{that cost} at least \$25,000 ~~in value that principally~~ benefit a single business or a defined group of businesses; a grant, ^{or} contribution of personal or real property ~~or preferential use of government facilities~~, if the grant, contribution ~~or preferential use~~ has a value of at least \$25,000; a loan or payment guarantee of at least \$75,000 in value ~~in a transaction between a business and an agency that has the potential to result in any of the previously mentioned benefits~~. Specifically excluded are such benefits as tax credits, housing assistance, and assistance for the sole purpose of providing job readiness and training services.

The bill requires every agency that awards or provides a subsidy to a business to develop criteria for awarding business subsidies and prohibits the awarding of any subsidy to a business before the criteria are developed. Although no approval of the criteria is required, the criteria are submitted to the ~~department of administration~~ ^{legislative audit bureau} (DOA). The criteria must set minimum requirements for a business to meet to be eligible for a business subsidy. The criteria specifically must require that, if job creation is the public purpose of a subsidy, all jobs that are created as a result of the subsidy must pay compensation that is equal to at least 200% of the federal poverty line for a family of two. Health insurance premiums paid by an employer may be counted toward meeting the compensation amount.

The bill requires an agency that grants a subsidy to enter into an agreement with the business receiving the subsidy. The agreement must contain specified information, such as the public purpose for the subsidy, measurable goals for the subsidy, the time by which the goals are to be achieved, any financial or other obligation of the business if it does not achieve the goals by the time set in the agreement, and, if the public purpose is job creation or retention, the number of jobs to be created or retained. In the agreement, the business must commit to continuing operations at the location where the subsidy is to be used for at least five years from when the full amount of the subsidy is received.

A business that receives a subsidy is required to submit a report within 24 months after first receiving the subsidy to the agency that granted the subsidy. Thereafter, the business must submit a report annually until the time that was set in the subsidy agreement for achieving its goals. The information contained in the reports generally addresses the requirements set out in the subsidy agreement. In addition, the business must report on its progress toward achieving its goals and on the wages and cost of health care benefits for each job created or retained as a result of the subsidy. The reports submitted by a business must be kept by the granting agency in a centrally located and easily accessible file that includes the application, subsidy agreement, and all other documents related to the subsidy and that is open to public inspection. If a business fails to submit a report by the time it is due, the granting agency must notify the business within 30 days. If the report remains delinquent for six months after the due date, the granting agency must notify ~~DOA~~ and take any action for the recovery of the subsidy that is specified in the subsidy agreement. In addition, the business may not apply for another subsidy and an agency may not award another subsidy to the business. If the business eventually

the department of administration (DOA)

a transfer of property to a business for at least \$25,000 below the property's acquisition cost or fair market value, and

and that exclusively any assistance provided by the University of Wisconsin

BILL

submits the report, however, it may apply for and be awarded another subsidy with the approval of DOA.

Annually, by April 1, every agency that received a report during the previous calendar year from one or more businesses that received subsidies must submit a report to ~~DOA~~ that summarizes the information submitted to the agency in the businesses' reports. In addition, the department of commerce must annually, by June 1, file a report with ~~DOA~~ that provides specified information about the development zone and technology zone programs, which are administered by the department of commerce and under which businesses located in areas of the state designated as development or technology zones receive tax credits for certain activities, such as job creation. Annually, by August 1, ~~DOA~~ is required to publish a report for the previous calendar year that compiles and summarizes the reports received from the agencies that granted business subsidies; that includes the report received from the department of commerce on the development and technology zone programs; and that, every other year, summarizes the biennial report of the department of commerce on the social, economic, and financial effects of tax incremental financing projects. The report published by ~~DOA~~ must provide information about the total amount of business subsidies awarded in each county; the distribution of business subsidies, categorized by various characteristics, such as type, amount, and public purpose; the number and percentage of subsidy recipients that achieved their goals within the time set, and the number of jobs created as a result of business subsidies, shown by wage bands. *Insert 3-A*

In addition to the reporting requirements, the bill imposes other requirements related to business subsidies. The bill requires every applicant for a business subsidy to reveal in the application whether the applicant has been found in a court or administrative proceeding to have violated any federal or state environmental or labor law. The bill requires that, before a business subsidy is awarded, the agency awarding the subsidy must ~~conduct at least two public hearings~~ in the political subdivision in which the applicant proposes to conduct the project for which the subsidy is to be awarded. The bill prohibits an agency from awarding to an applicant a business subsidy that is in the form of a grant, loan, loan guarantee, or contribution of personal or real property if the applicant intends to use the business subsidy to subsidize any portion of the cost of moving its business operations within the state from one political subdivision to another, unless the political subdivision from which the business will be moved consents to the move, or to this state from another state with which this state has entered into an agreement related to businesses moving from one state to another.

Under the development zone programs under current law, businesses may be certified by the department of commerce for tax credits on the basis of, among other things, the number of full-time jobs that are created in a development zone. A full-time job is defined as a regular, nonseasonal full-time position in which an individual is required to work at least 2,080 hours per year and for which the individual receives pay that is equal to at least 150% of the federal minimum wage and benefits that are not required by federal or state law. The bill changes the definition of full-time job with respect to pay for purposes of the development zone

AB

that includes the reports on specific assistance provided under statutes;

hold at least one public meeting on the subsidy

Also, an agency that provides assistance under a statute that specifies the amount must file a report with AB that identifies the recipient, the amount, and the statute under which the assistance was provided

BILL

programs, and makes the pay that is required consistent with that required under the bill for business subsidies that have job creation as the public purpose. Instead of 150% of the federal minimum wage, a full-time job must pay compensation that is equal to at least 200% of the federal poverty line for a family of two. Health insurance premiums paid by the employer may be counted toward the compensation amount.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

in that order
↓
Ins 4-1A
✓ " 4-1B
✓ " 4-1C

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

- ①
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- ③
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SECTION 1. ~~16.27~~ of the statutes is created to read:

~~16.27~~ Definitions for business subsidy awards and reports. In this section and s. ~~16.28~~:

- (1) "Agency" means a state agency or a local government agency.
- (2) "Business" means:
 - (a) Any person engaged in a business enterprise for profit in this state.
 - (b) Any organization or enterprise operating not for profit in this state that has at least 100 full-time positions with a ratio of highest-paid to lowest-paid employee that exceeds 10 to one, determined on the basis of full-time equivalent positions.
- (3) (a) Except as provided in par. (b), "business subsidy" means:
 - 1. Public improvements ~~at least \$25,000~~ that are made to buildings or lands owned by the state or a political subdivision and that ~~benefit a single business or a defined group of businesses~~ *exclusively* benefit a single business or a defined group of businesses at the time the improvements are made.
 - 2. Any of the following that has a ~~value~~ *cost to an agency or the state* of at least \$25,000 and that is given to a business by an agency:
 - a. A grant.
 - b. A contribution of personal or real property or infrastructure.

20.926

20.9265

that cost

cost to an agency or the state

BILL

Insert 5-1

1 c. Any preferential use of government facilities

2 3. Any of the following that has a value of at least \$75,000 and that is given to

3 a business by an agency:

4 a. A loan.

5 b. A guarantee of any payment under a loan, lease, or other obligation.

6 4. A transaction between a business and an agency, regardless of how
7 structured, with the potential to result in a benefit described under subd. 1., 2., or

8 3.

9 (b) "Business subsidy" does not include any of the following:

10 1. Assistance for the sole purpose of providing job readiness and training
11 services.

12 2. Housing assistance.

13 3. Energy conservation assistance.

14 4. A reduction or deferral of any tax or fee, including tax credits under ch. 71,
15 general tax reductions, and tax reductions resulting from conformity with federal
16 law.

17 5. General changes in the tax incremental financing laws and other general tax
18 law changes.

19 6. Worker's compensation and unemployment compensation.

20 7. Payment to a person ~~provides~~ goods or services ~~in this state under subch.~~

21 ~~of~~ ~~under~~ ~~ch. 84.~~

22 8. Funds from bonds issued for the benefit of any institution, facility, or
23 organization described in section 501 (c) (3) of the Internal Revenue Code that is
24 exempt from federal taxation under section 501 (a) of the Internal Revenue Code.

25 9. Assistance for a consortium, as defined in s. 560.60 (3).

7m. Payments made under ch. 32.

→ 10. Any assistance provided by the University of Wisconsin System.

from an agency for the purchase of

BILL

SECTION 1

✓ insert 6-2

11. assistance provided by the department of transportation

12 ← 19 Federal loan funds provided through the U.S. economic development administration.

(3m) "Development zone" means a development zone under ss. 560.71 to 560.78, a development opportunity zone under s. 560.795, or an enterprise development zone under s. 560.797.

(4) "Grantor" means an agency that awards or provides a business subsidy.

(5) "Local government agency" means any political subdivision, housing authority created under ss. 66.1201 to 66.1211, redevelopment authority created under s. 66.1333, or community development authority created under s. 66.1335, or any entity created or authorized by any of them.

(6) "Political subdivision" means a city, village, town, or county.

(7) "Recipient" means a business that is benefited by a business subsidy under sub. (3) (a) 1. or that receives a business subsidy under sub. (3) (a) 2., 3. ^{2m, or}

(8) "State agency" means any office, department, agency, institution of higher education, association, society, or other body in state government that is created or authorized to be created by the constitution or any law, including any authority created under ch. 231, 233, ~~234~~ ²⁰⁹²³⁷ but not including the legislature or the courts.

(9) "Technology zone" means a technology zone under s. 560.96.

SECTION 2. ~~18.28~~ ^{20.9265} of the statutes is created to read:

(B) ^{20.9265} ~~18.28~~ Business subsidies; awarding and reporting requirements. (1)

DEVELOPING CRITERIA; APPLICATION REQUIREMENTS; PUBLIC HEARINGS; PROHIBITIONS. (a)

Every grantor shall develop criteria for awarding business subsidies. The criteria shall set minimum requirements that a business must meet to be eligible for a business subsidy. The criteria shall provide that, if the public purpose for the subsidy is job creation, all jobs created as a result of the subsidy must provide compensation

except for assistance provided under s. 84.185 or any similar programs.

BILL

1 that is equal to at least 200% of the federal poverty line, as defined under 42 USC
2 9902 (2), for a family of 2 persons. Compensation may include health insurance
3 premiums paid by the employer on behalf of the employee, for purposes of
4 determining whether this requirement is met.

5 (b) No grantor may award a business subsidy until the grantor has developed
6 the criteria required under par. (a).

7 (c) A copy of the criteria developed under par. (a) shall be submitted along with
8 the first annual report filed by the grantor under sub. (4). A copy of any changes to
9 the original set of criteria developed under par. (a) shall be submitted along with the
10 first annual report that is filed by the grantor after the changes are made. If in
11 awarding a business subsidy a grantor deviates from the criteria developed under
12 par. (a), the grantor shall document the reason for the deviation in writing and
13 submit a copy of that documentation along with the first annual report that is filed
14 by the grantor after the deviation occurs.

15 (cm) 1. Every applicant for a business subsidy shall reveal in the application
16 whether, in the preceding 5 years, the applicant has been determined ^{made} to have
17 violated any federal or state environmental or labor law by an administrative
18 proceeding, civil action, criminal action, or other legal proceeding. For purposes of
19 this paragraph, issuance of an order or acceptance of an agreement requiring
20 corrective action or a stipulated fine, forfeiture, or other penalty is considered a
21 determination of a violation, regardless of whether there is a finding or admission
22 of liability.

23 2. For a violation described in subd. 1. that resulted in a finding, the applicant
24 shall describe the finding and the penalty assessed and shall specify the entity that
25 made the finding and the location of the public records relating to the matter.

BILL

1 3. For a violation described in subd. 1. that resulted in an agreement for
2 corrective action or a stipulated fine, forfeiture, or other penalty, the applicant shall
3 provide a summary description of the violation that led to the agreement or
4 stipulation and, if the agreement or stipulation is a public record, a summary
5 description of the agreement or stipulation and the location of the agreement or
6 stipulation as a public record.

7 (d) 1. Except as provided in subd. 2., before awarding a business subsidy to a
8 subsidy applicant, a grantor shall ~~conduct~~ ^{hold} at least ~~3~~ ^{one} public ~~hearings~~ ^{meeting} in the political
9 subdivision in which the applicant proposes to conduct the project for which the
10 subsidy will be used. The ~~public hearing~~ ^{meeting} must be held at least 30 days ~~before~~
11 ~~the public hearing and at least 30 days~~ before the final decision is made on whether
12 to award the business subsidy to the applicant. ~~Notice of each hearing shall be given~~
13 ~~by publication of a class 1 notice under ch. 985 in a newspaper~~ that is likely to give
14 notice in the political subdivision in which the applicant proposes to conduct the
15 project for which the subsidy will be used.

16 2. The requirement under subd. 1. [✓] does not apply if, under another process that
17 is separate and distinct from the process under this section, at least one public
18 hearing has been held with respect to the project for which the subsidy will be used.

19 (e) A grantor may not award to a business subsidy applicant a business subsidy
20 in the form of a grant, a loan, a loan guarantee, or a contribution of personal or real
21 property if any of the following applies:

22 1. The business subsidy will be used to subsidize any portion of the cost of
23 moving the applicant's business operations from one political subdivision in this
24 state to another political subdivision in this state. This subdivision does not apply

✓ For the purpose of providing information and receiving public comment, about the subsidy

NO # The grantor shall give notice of the meeting in a manner

BILL

1 if the governing body of the political subdivision from which the applicant intends
2 to move consents to the move in writing, which may be by resolution.

3 2. The business subsidy will be used to subsidize any portion of the cost of
4 moving the applicant's business operations to this state from a state with which this
5 state has entered into an agreement or compact related to businesses moving from
6 one state to another, except as allowed under the terms of the agreement or compact.

7 (f) 1. Except as provided in subd. [✓]2., a recipient may not apply for another
8 business subsidy, and a grantor may not award another business subsidy to a
9 recipient, if the recipient fails to submit a report required under sub. [✓](3) (a) within
10 6 months of the time required for submitting such report under sub. [✓](3) (b).

11 2. A recipient that submits a report more than 6 months after the time required
12 under sub. (3) (b) may apply for, and may be awarded, another business subsidy only
13 upon the approval of the department ^{→ of administration ✓}

14 (2) SUBSIDY AGREEMENT. (a) Whenever a grantor provides a business subsidy,
15 the recipient shall enter into a subsidy agreement with the grantor. The subsidy
16 agreement shall include all of the following:

17 1. A description of the subsidy, including the amount, or fair market value, and
18 type of subsidy.

19 2. A statement of the public purpose for the subsidy.

20 3. A statement of why the subsidy is needed.

21 4. Specific measurable goals for the subsidy.

22 4m. If the public purpose for the subsidy is the creation or retention of jobs,
23 specific measurable goals for the number of jobs to be created or retained and wage
24 goals for the jobs to be created or retained.

BILL

1 5. If the public purpose for the subsidy is the retention of jobs, the total number
2 of jobs currently provided by the recipient and identification of the jobs that would
3 be lost without the subsidy.

4 6. The time by which the goals specified in subd. 4. and, if applicable, in subd.
5 4m. are to be achieved.

6 7. A commitment to continue operations at the location where the subsidy is
7 to be used for at least 5 years from the date of receiving the full amount of the subsidy.

8 8. A description of any financial or other obligation of the recipient if the goals
9 under subd. 4. or, if applicable, under subd. 4m. are not met by the time specified
10 under subd. 6. or if the recipient ceases operations at the location before the time
11 specified in subd. 7.

12 9. The name and address of the recipient's parent corporation, if any.

13 10. A list, by amount and provider, of all other public financial assistance for
14 the project for which the subsidy will be used.

15 (b) A subsidy agreement under par. (a) shall be in writing and signed by both
16 the recipient and the grantor. If the grantor is a local government agency that is not
17 a political subdivision, the governing body of the political subdivision within which
18 the local government agency operates must approve the agreement.

19 (3) REPORTS OF RECIPIENTS. (a) Each recipient shall submit to its grantor, by
20 the time required under par. (b), a report ~~delivered~~ by the grantor that provides the
21 following information:

- 22 1. The type, public purpose, and amount of the subsidy.
- 23 2. The hourly wage of each job created or retained as a result of the subsidy,
- 24 shown in separate wage bands.

in a format specified

BILL

insurance premiums paid
~~benefits provided~~

1

3. The sum of the hourly wages and cost of health ~~benefits provided~~ by the recipient, shown in separate wage bands.

3

4. A statement of the goals identified in the subsidy agreement under sub. (2)

4

(a) 4. *and a statement of the progress toward meeting those goals.*

5

4m. If the public purpose for the subsidy is the creation or retention jobs, a statement of the goals identified in the subsidy agreement under sub. (2) (a) 4m. and a statement of the progress toward meeting the job and wage goals or the date on which the job and wage goals were or are expected to be achieved.

9

5. If the public purpose for the subsidy is the retention of jobs, the total number of jobs currently provided by the recipient and the status of the jobs identified under sub. (2) (a) 5. ✓

12

5m. If the public purpose for the subsidy is the creation of jobs, the total number of jobs currently provided by the recipient that satisfy the requirements under sub. (1) (a) compared to the average number of jobs provided by the recipient in the 12 months preceding the period covered by this report that satisfied those requirements.

17

6. A statement of any financial or other obligation of the recipient under sub. (2) (a) 8. ✓ and a statement of the progress toward meeting the obligation or the date on which the obligation was or will be met.

20

7. The location of the recipient before receiving the business subsidy.

21

8. The name and address of the recipient's parent corporation, if any.

22

9. A list, by amount and provider, of all other public financial assistance for the project.

23

24

10. Any other information requested by the grantor.

BILL

1 (b) The recipient shall submit a report, as required under par. (a), within 24
2 months after the subsidy is first provided. Annually thereafter, until the time
3 specified in the subsidy agreement under sub. (2) (a) 6., the recipient shall submit
4 a report, as required under par. (a), for the period since the previous report was
5 submitted.

6 (c) If a recipient fails to submit a report by the time the report is due, the grantor
7 shall within 30 days after the due date notify the recipient that the report is overdue.
8 If the report remains delinquent for 6 months after the due date, the grantor shall
9 notify the department ^{of administration} and commence any action or proceedings to recover the
10 subsidy that are specified in the subsidy agreement, and the recipient shall be
11 ineligible for any other business subsidies, as provided in sub. (1) (f).

12 (d) For each recipient, a grantor shall keep a centrally located and easily
13 accessible file containing the recipient's application, all documents related to the
14 application, the subsidy agreement entered into under sub. (2), and all reports
15 submitted under this subsection.

16 (4) REPORTS OF GRANTORS. (a) Annually, no later than April 1, every grantor
17 shall manually or electronically file with the ~~department~~ a report ~~on the form~~

18 ~~described in par. (b)~~ ^{insert 12-18} ✓
~~keep~~

19 (b) The department shall develop a report form to be completed by grantors that
20 does all of the following:

21 1. Summarizes the information submitted to the grantor during the previous
22 calendar year in the reports under sub. (3).

23 2. Minimizes confusion and duplication in the reporting process through the
24 use, for each recipient, of a consistent, unique identifier, such as the recipient's

25 federal employer identification number.

Legislative audit bureau

Insert
13-2

BILL

Legislative audit bureau

1 3. Enables the department to produce a compilation and summary of the
2 reports under par. (a), as required under sub. (5).

3 (c) In addition to filing any report that is required under par. (a), the
4 department of commerce shall annually, no later than June 1, file with the

5 ~~Department of Administration~~ a report on the development zone programs under
6 subch. VI of ch. 560 and the technology zone program under s. 560.96 that includes
7 all of the following information:

8 1. Identification of all development zones and technology zones in effect and the
9 total amount of tax credits that may be claimed in each of those zones.

10 2. A listing of every person in each development zone or technology zone in
11 effect that has claimed a total of \$25,000 or more in tax credits.

12 3. The total tax credits claimed, both in the previous calendar year and since
13 the zone was designated, in each development zone or technology zone in effect.

14 4. The public purpose for which each person listed in subd. 2. was certified for
15 tax credits.

16 5. The progress each person listed in subd. 2. has made in achieving the public
17 purpose specified in subd. 4.

18 6. The criteria used to measure the progress made in achieving the public
19 purposes specified in subd. 4.

20 7. The total number of jobs that satisfy the compensation criteria under sub.
21 (1) (a) that have been created, both in the previous calendar year and since the zone
22 was designated, in each development zone or technology zone in effect.

23 8. The total number of jobs that satisfy the compensation criteria under sub.
24 (1) (a) that have been retained, both in the previous calendar year and since the zone
25 was designated, in each development zone or technology zone in effect.

or (b)

* LPS - please
note: p. 14 is now insert

If you have
questions on
this, please
ask me.
Thanks! JLD

BILL

1 9. The number of jobs created as a result of business subsidies, shown by wage
2 bands.

3 10. Fringe benefits paid or otherwise provided as a result of business subsidies,
4 shown by wage bands.

5 (c) The compilation and summary of the reports under sub. (4) (a) shall be
6 presented in a manner that allows for comparisons across time periods and among
7 grantors and, in addition, shall include sufficient information to enable comparisons
8 between wages paid and fringe benefits provided by new jobs created as a result of
9 business subsidies and wages paid and fringe benefits provided by comparable jobs
10 in each area in which the new jobs are created.

11 5 ← (8) PUBLIC RECORD REQUIREMENT. Business subsidy applications, all documents
12 related to business subsidy applications, recipient reports under sub. (3), grantor
13 reports under sub. (4) and the report under sub. (5) are open to public inspection.

14 (7) RULES. The department shall promulgate rules for the administration of
15 this section. The rules shall provide reporting standards, including standards for the
16 disclosures required under sub. (1) (cm), to ensure that information is reported by
17 recipients and grantors in a uniform manner.

18 6 ← (9) RESPONSIBILITY FOR COMPLIANCE AND RELATION TO OTHER REQUIREMENTS. (a)
19 If the agency that awards a business subsidy is different from the agency that
20 provides the business subsidy, the agency that provides the business subsidy shall
21 determine how the requirements under this section for the grantor of the business
22 subsidy will be met, and may delegate the responsibility for any such requirement
23 to the agency that awards the business subsidy.

24 d ← Except as provided in sub. (1) (d) 2., the requirements under this section
25 related to awarding or providing a business subsidy, including the awarding criteria

Insert 15-23

BILL

1 developed under sub. (1) (a), the subsidy agreement under sub. (2), and the recipient
2 reporting requirements under sub. (3), are in addition to any other requirements
3 with which an agency or recipient must comply with respect to the business subsidy.
4 If a conflict exists between a requirement under this section and any other
5 requirement with respect to a business subsidy, the requirement under this section
6 controls.

7 **SECTION 3.** 66.1105 (13)^x of the statutes is amended to read:

8 66.1105 (13) The department of commerce, in cooperation with other state
9 agencies and local governments, shall make a comprehensive report to the governor
10 and the chief clerk of each house of the legislature, for distribution to the legislature
11 under s. 13.172 (2), at the beginning of each biennium, beginning with the 1977
12 biennium, as to the effects and impact of tax incremental financing projects socially,
13 economically, and financially. Beginning with the 2003 biennium, the department
14 of commerce shall also provide a copy of the report to the ~~department of~~

15 ~~Administration~~ for purposes of the report requirement under s. ~~13.172 (2)~~. → 13.94(12)

16 **SECTION 4.** 71.07 (2dx) (a) 4.^x of the statutes is amended to read:

17 71.07 (2dx) (a) 4. "Full-time job" means a regular, nonseasonal full-time
18 position in which an individual, as a condition of employment, is required to work at
19 least 2,080 hours per year, including paid leave and holidays, and for which the
20 individual receives pay compensation that is equal to at least 150% of the federal
21 ~~minimum wage and receives benefits that are not required by federal or state law~~
22 200% of the federal poverty line, as defined under 42 USC 9902 (2), for a family of
23 2 persons. Compensation may include health insurance premiums paid by the
24 employer on behalf of the employee, for purposes of determining whether the

Legislative audit bureau

BILL

1 compensation requirement is met. “Full-time job” does not include initial training
2 before an employment position begins.

3 **SECTION 5.** 71.28 (1dx) (a) 4. [✓] of the statutes is amended to read:

4 71.28 (1dx) (a) 4. “Full-time job” means a regular, nonseasonal full-time
5 position in which an individual, as a condition of employment, is required to work at
6 least 2,080 hours per year, including paid leave and holidays, and for which the
7 individual receives pay compensation that is equal to at least ~~150% of the federal~~
8 ~~minimum wage and receives benefits that are not required by federal or state law~~
9 200% of the federal poverty line, as defined under 42 USC 9902 (2), for a family of
10 2 persons. Compensation may include health insurance premiums paid by the
11 employer on behalf of the employee, for purposes of determining whether the
12 compensation requirement is met. “Full-time job” does not include initial training
13 before an employment position begins.

14 **SECTION 6.** 71.47 (1dx) (a) 4. [✓] of the statutes is amended to read:

15 71.47 (1dx) (a) 4. “Full-time job” means a regular, nonseasonal full-time
16 position in which an individual, as a condition of employment, is required to work at
17 least 2,080 hours per year, including paid leave and holidays, and for which the
18 individual receives pay compensation that is equal to at least ~~150% of the federal~~
19 ~~minimum wage and receives benefits that are not required by federal or state law~~
20 200% of the federal poverty line, as defined under 42 USC 9902 (2), for a family of
21 2 persons. Compensation may include health insurance premiums paid by the
22 employer on behalf of the employee, for purposes of determining whether the
23 compensation requirement is met. “Full-time job” does not include initial training
24 before an employment position begins.

25 **SECTION 7.** 560.70 (2m) [✓] of the statutes is amended to read:

BILL

1 560.70 (2m) "Full-time job" means a regular, nonseasonal full-time position
 2 in which an individual, as a condition of employment, is required to work at least
 3 2,080 hours per year, including paid leave and holidays, and for which the individual
 4 receives pay compensation that is equal to at least ~~150%~~ of the ~~federal minimum~~
 5 ~~wage and benefits that are not required by federal or state law~~ 200% of the federal
 6 poverty line, as defined under 42 USC 9902 (2), for a family of 2 persons.
 7 Compensation may include health insurance premiums paid by the employer on
 8 behalf of the employee, for purposes of determining whether the compensation
 9 requirement is met. "Full-time job" does not include initial training before an
 10 employment position begins.

11 **SECTION 8.** 560.785 (2) (b) ^X of the statutes is amended to read:

12 560.785 (2) (b) The requirement under ss. 560.70 (2m) and 560.797 (1) (am)
 13 that an individual's pay compensation must equal at least ~~150%~~ 200% of the federal
 14 ~~minimum wage poverty line, as defined under 42 USC 9902 (2), for a family of 2~~
 15 persons.

16 **SECTION 9. Initial applicability.**

17 (1) The treatment of sections ~~16.21 and 16.23~~ of the statutes first applies to
 18 business subsidies, as defined in section ~~16.21~~ (3) of the statutes, as created by this
 19 act, that are awarded on the first day of the 10th month beginning after publication.

20 (2) The treatment of sections 71.07 (2dx) (a) 4., 71.28 (1dx) (a) 4., 71.47 (1dx)
 21 (a) 4., 560.70 (2m), and 560.785 (2) (b) [✓] of the statutes first applies to taxable years
 22 beginning on January 1, 2003.

(END)

20.926 ✓

13.94(12) ✓, 20.926 ✓, and 20.9265 ✓

D-vote

2001-2002 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU


LRB-2658/2ins
PJK:jld&hmlh:kjf

INSERT 3-A

4 In the report, LAB must compare and evaluate the effectiveness of each business
subsidy or program under which business subsidies are provided and include
recommendations for improving the programs.

(END OF INSERT 3-A)

INSERT 4-1A

- 1 SECTION 1. 13.94 (12) of the statutes is created to read:
- 2 13.94 (12) BUSINESS SUBSIDIES REPORT; COMPILATION AND SUMMARY. (a) In this
- 3 subsection:
- 4 1. "Business" has the meaning given in s. 20.926 (2).
- 5 2. "Business subsidy" has the meaning given in s. 20.926 (3).
- 6 3. "Grantor" has the meaning given in s. 20.926 (4).
- 7 (b) Annually, by August 1, the legislative audit bureau shall publish a report
- 8 that summarizes the business subsidies provided in the preceding year. The report
- 9 shall include any information and analysis that the legislative audit bureau
- 10 determines is relevant and will assist the legislature in evaluating the cost,
- 11 effectiveness, and equity of investing public moneys in businesses and economic
- 12 development. The report may include any information and data that is available to
- 13 the legislative audit bureau and shall include the reports filed under s. 20.9265 (4)
- 14 (b) and (c) and a compilation and summary of the reports filed under s. 20.9265 (4)
- 15 (a). In each year after the year in which the legislative audit bureau receives the
- 

BILL

Insert 4-1 B 102

SECTION 2

1 (5) DEPARTMENT REPORT, COMPILATION AND SUMMARY. (a) Annually, by August 1,
 2 the department shall publish for the previous calendar year a report that includes
 3 the report filed under sub. (4) (c) and a compilation and summary of the reports
 4 received from grantors under sub. (4) (a). In each year after the year in which the
 5 department receives the report under s. 66.1105 (13), the department shall include
 6 a summary of that report in the report under this subsection.

7 (b) The portion of the report under this subsection that is the compilation and
 8 summary of the reports under ~~s. 66.1105~~ (4) (a) shall include at least all of the following
 9 information:

- 10 1. The total amount of business subsidies awarded in each county of the state.
- 11 2. Distribution of business subsidies, categorized by subsidy amounts.
- 12 3. Distribution of business subsidy amounts, categorized by the length of time
 13 over which the subsidy is provided.
- 14 4. Distribution of business subsidies, categorized by type of subsidy, amount of
 15 subsidy, and public purpose.
- 16 5. The percentage and number of recipients that reached their goals by the ✓
 17 times specified in their subsidy agreements under ~~s. 66.1105~~ (2) (a) 6. A. 20.9265
- 18 6. The percentage and number of recipients that reached their interim goals,
 19 if any.
- 20 7. The percentage and number of recipients that did not reach their goals by
 21 the times specified in their subsidy agreements under ~~s. 66.1105~~ (2) (a) 6.
- 22 8. The total dollar amount of business subsidies provided to recipients that did
 23 not reach their goals by the times specified in their subsidy agreements under ~~s. 66.1105~~
 24 (2) (a) 6.



BILL

Ins. 4-1 B cont'd 2/02

1 9. The number of jobs created as a result of business subsidies, shown by wage
2 bands.

3 10. Fringe benefits paid or otherwise provided as a result of business subsidies,
4 shown by wage bands.

4.20.9265

5 2 ← (4) The compilation and summary of the reports under ~~sub~~ (4) (a) shall be
6 presented in a manner that allows for comparisons across time periods and among
7 grantors and, in addition, shall include sufficient information to enable comparisons
8 between wages paid and fringe benefits provided by new jobs created as a result of
9 business subsidies and wages paid and fringe benefits provided by comparable jobs
10 in each area in which the new jobs are created.

11 5 ← (6) PUBLIC RECORD REQUIREMENT. Business subsidy applications, all documents
12 related to business subsidy applications, recipient reports under sub. (3), *and* grantor
13 reports under sub. (4) *and the report under sub. (5)* are open to public inspection.

14 (7) RULES. The department shall promulgate rules for the administration of
15 this section. The rules shall provide reporting standards, including standards for the
16 disclosures required under sub. (1) (cm), to ensure that information is reported by
17 recipients and grantors in a uniform manner.

18 (8) RESPONSIBILITY FOR COMPLIANCE AND RELATION TO OTHER REQUIREMENTS. (a)
19 If the agency that awards a business subsidy is different from the agency that
20 provides the business subsidy, the agency that provides the business subsidy shall
21 determine how the requirements under this section for the grantor of the business
22 subsidy will be met, and may delegate the responsibility for any such requirement
23 to the agency that awards the business subsidy.

24 (b) Except as provided in sub. (1) (d) 2., the requirements under this section
25 related to awarding or providing a business subsidy, including the awarding criteria

(end of ins 4-1 B)

ins 4-1A contd

1 report under s. 66.1105 (13), the legislative audit bureau shall include a summary
2 of that report in the report under this subsection.

(END OF INSERT 4-1A)

LPS-
(INSERT 4-1B IS ON A SEPARATE SHEET) *at the end*

INSERT 4-1C

3 (e) In addition to summarizing and compiling the reports specified in par. (b),
4 the legislative audit bureau shall include in the report under this subsection a
5 comparison and evaluation of the effectiveness of each business subsidy, or program
6 under which business subsidies are provided, in achieving a public purpose and
7 recommendations for improving the programs. The legislative audit bureau is not
8 required to compare and evaluate under this paragraph the programs included in the
9 reports filed under s. 20.9265 (4) (b) and (c).

10 (f) The legislative audit bureau may develop a report form for the manual or
11 electronic submission of the report required under s. 20.9265 (4) (a) to ensure that
12 the appropriate data is collected to enable the legislative audit bureau to satisfy the
13 requirements under this subsection.

14 (g) The report under this subsection is open to public inspection.

15 **SECTION 2.** 20.001 (intro.) of the statutes is amended to read:

16 **20.001 Definitions and abbreviations.** (intro.) In Except as otherwise
17 provided, in this chapter terms and abbreviations have the following meanings:

History: 1973 c. 333; 1977 c. 29, 418; 1979 c. 34; 1981 c. 20; 1983 a. 27, 538; 1985 a. 135 s. 85; 1985 a. 332 s. 253; 1987 a. 4; 1989 a. 31; 1993 a. 16; 1995 a. 27; 2001 a. 16.

(END OF INSERT 4-1C)

INSERT 5-1



ins 5-1

1 2m. Any transfer of property to a business by an agency for at least \$25,000
2 below the property's acquisition cost or fair market value[✓] at the time of the transfer,
3 whichever is greater.

(END OF INSERT 5-1)

INSERT 6-2

4 13. Assistance provided by an agency under a statutory provision that
5 identifies the specific recipient or the specific amount.

(END OF INSERT 6-2)

INSERT 12-18

6 *WTF* that summarizes the information submitted to the grantor during the previous
7 calendar year in the reports under sub. (3).[✓] If the legislative audit bureau develops
8 a report form under s. 13.94 (12) (f),[✓] a grantor shall use that form for submitting the
9 information required under this subsection

(END OF INSERT 12-18)

INSERT 13-2

10 (b) Notwithstanding s. 20.926 (3) (b) 13.,[✓] an agency that provides assistance to
11 a business under a statutory provision that identifies the specific recipient or the
12 specific amount shall annually, no later than April 1, file with the legislative audit
13 bureau a report on that assistance provided in the preceding calendar year. The
14 report shall include all of the following information:

- 15 1. The identity of the recipients of the assistance.
- 16 2. The amount of assistance provided to each recipient.



Ins 13-2 contd

1

3. The statutory authority under which the assistance was provided. ✓

(END OF INSERT 13-2)

INSERT 15-23

2

(b) A state agency that administers an economic development program under

3

which a local government agency is the grantor of state funds shall ensure that the

4

local government agency complies with this section. ✓

5

(c) The legislative audit bureau shall determine whether this section applies

6

to an agency with respect to assistance provided by the agency in the event that there

7

is disagreement or uncertainty over whether this section applies.

(END OF INSERT 15-23)

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2658/7dn
PJK/jld&hmt/kjf

↑
Keep

1. Regarding number 2. of your redraft instructions, "economic development programs" is not defined. This is probably okay in this case, however, since the legislative audit bureau is given authority to determine whether reports are required in situations in which there is a disagreement.

2. Regarding number 4. of your redraft instructions, I normally would not include language like "or similar programs" because the respect in which the programs are similar is not stated. Just as with the situation mentioned in d-note 1., this is probably okay in this case, since the legislative audit bureau is given authority to determine whether reports are required in situations in which there is a disagreement.

3. Regarding number 8. of your redraft instructions, I added the provision that you requested, but I think its addition makes s. 20.926 (3) (a) 2. b. redundant. See s. 20.9265 (1) (e) (intro.). Do you want to add the new type of subsidy to that list?

4. Regarding ~~number~~ ^{number} 11. of your redraft instructions, I wasn't sure if you wanted to simply add "assistance provided by the University of Wisconsin System" or substitute it for "assistance for a consortium." Since one is assistance provided *by* and the other is assistance provided *to*, I added it.

5. Regarding ~~number~~ ^{number} 16. of your redraft instructions, note that changing "health care benefit" to "health insurance premiums" excludes benefits provided on a self-insured basis.

Pamela J. Kahler
Senior Legislative Attorney
Phone: (608) 266-2682
E-mail: pam.kahler@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2658/3dn
PJK:jld&hnh:pg

March 5, 2002

1. Regarding number 2. of your redraft instructions, "economic development programs" is not defined. This is probably okay in this case, however, since the legislative audit bureau is given authority to determine whether reports are required in situations in which there is disagreement or uncertainty.
2. Regarding number 4. of your redraft instructions, I normally would not include language like "or similar programs" because the respect in which the programs are similar is not stated. Just as with the situation mentioned in d-note 1., this is probably okay in this case, since the legislative audit bureau is given authority to determine whether reports are required in situations in which there is disagreement or uncertainty.
3. Regarding number 8. of your redraft instructions, I added the provision that you requested, but I think its addition makes s. 20.926 (3) (a) 2. b. redundant. See s. 20.9265 (1) (e) (intro.). Do you want to add the new type of subsidy to that list?
4. Regarding number 11. of your redraft instructions, I wasn't sure if you wanted to simply add "assistance provided by the University of Wisconsin System" or substitute it for "assistance for a consortium." Since one is assistance provided *by* and the other is assistance provided *to*, I added it.
5. Regarding number 16. of your redraft instructions, note that changing "health care benefits" to "health insurance premiums" excludes benefits provided on a self-insured basis.

Pamela J. Kahler
Senior Legislative Attorney
Phone: (608) 266-2682
E-mail: pam.kahler@legis.state.wi.us

Please jacket
for the Assembly
& send to
Rep Mark Miller



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
5TH FLOOR
MADISON, WI 53701-2037

STEPHEN R. MILLER
CHIEF

LEGAL SECTION: (608) 266-3561
LEGAL FAX: (608) 264-6948

March 6, 2002

MEMORANDUM

To: Representative Miller

From: Pamela J. Kahler, Senior Legislative Attorney

Re: LRB-2658/3 Creating a planning and accountability mechanism for administering public subsidies to businesses

The attached draft was prepared at your request. Please review it carefully to ensure that it is accurate and satisfies your intent. If it does and you would like it jacketed for introduction, please indicate below for which house you would like the draft jacketed and return this memorandum to our office. If you have any questions about jacketing, please call our program assistants at 266-3561. Please allow one day for jacketing.

 JACKET FOR ASSEMBLY JACKET FOR SENATE

If you have any questions concerning the attached draft, or would like to have it redrafted, please contact me at (608) 266-2682 or at the address indicated at the top of this memorandum.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will request that it be prepared after the draft is introduced. You may obtain a fiscal estimate on the attached draft before it is introduced by calling our program assistants at 266-3561. Please note that if you have previously requested that a fiscal estimate be prepared on an earlier version of this draft, you will need to call our program assistants in order to obtain a fiscal estimate on this version before it is introduced.

Please call our program assistants at 266-3561 if you have any questions regarding this memorandum.



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
REFERENCE SECTION: (608) 266-0341
FAX: (608) 266-5648

STEPHEN R. MILLER
CHIEF

LRB

March 29 , 2002

MEMORANDUM

To: Representative Miller

From: Pamela J. Kahler, Sr. Legislative Attorney, (608) 266-2682
Peter R. Grant, Assistant Chief Counsel, (608) 267-3362

Subject: Technical Memorandum to **2001 AB 905** (LRB-2658/3)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

March 15, 2002

TO: Peter Grant
Pamela Kahler
Legislative Reference Bureau

FROM: Brian Pahnke
Department of Revenue

SUBJECT: Technical Memorandum on AB 905: Creating a Planning and Accountability Mechanism for Administering Public Subsidies to Businesses

The bill requires the Department of Commerce to file an annual report with the Legislative Audit Bureau on the development zone programs and the technology zone program. The report must include identification of all development and technology zones in effect and the amount of tax credits that may be claimed in each of the zones; a listing of every person in each zone that has claimed credits of \$25,000 or more; the total credits claimed in the previous year and since the zone was designated; and other information relating to the public purpose of providing the tax credits.

The Department of Commerce does not have access to the amount of credits claimed by businesses. Commerce certifies a business for a specific amount of credit and verifies that the business has met the requirements for receiving the credits. The business then claims the verified credits when it files its tax return. Information on the tax return is confidential and cannot be released. The author may wish to require Commerce to report the total amount of credits certified and the annual amount verified, rather than the amount of credits claimed.

Further, it is unclear what is meant by "a listing of every person that has claimed a total of \$25,000 or more in tax credits" under the Department of Commerce development and technology zone reporting requirements. S-corporations, limited liability companies and partnerships compute credits and pass them through to shareholders, members and partners who actually claim the credits on their individual income tax returns. The credits are awarded to the entity and it is the entity that must meet the specified criteria to receive the credits. As such, it would seem that the entity level information is of most relevance to the public purpose and other criteria pertaining to the credits. The author may wish to specify that the listing that Commerce compiles be of every business entity for which \$25,000 in credits have been verified and that the other requested information also pertain to the business entity.

If you have any questions regarding this memorandum, please contact Pam Walgren at 266-7817.