

Fiscal Estimate Narratives

DOR 3/25/2004

LRB Number	03-3890/4	Introduction Number	AB-970	Estimate Type	Original
Subject					
Badger Fund					

Assumptions Used in Arriving at Fiscal Estimate

The bill would create a special committee to organize a business corporation called the Badger Fund. The committee would consist of two members from labor organizations, two members from pension funds of labor organizations, one member with experience in economic development, two members from business or financial communities, one member with experience in environmental protection and one member from the general public. The committee could request services from any state agency.

No later than January 1, 2005, the committee must organize the Badger Fund corporation. The members of the committee would become initial board members of the corporation. The corporation would make investments in qualified businesses for the purpose of earning income and promoting and maintaining capital retention and economic stability in the state. A qualified business must employ at least 51% of its employees in the state, have its principal place of business in the state, be a financial business that needs financial investment and meet any other criteria established by the Department of Commerce. The corporation should give preference to qualified businesses seeking equity capital for expansion, modernization of equipment, upgrading of employee skills or facing ownership transition due to owner retirement.

If the corporation applies for a grant, the Department of Commerce would be required to make a one-time grant of \$3 million to the corporation for start-up capital and reasonable administrative expenses from an appropriation created in the bill to provide the \$3 million. As a condition of receiving the grant, the corporation could not invest less than 60% of its investment assets in qualified businesses, could not invest more than 20% in any one business, must maintain at least 15% of investment assets, use its best efforts to ensure that a majority of its investment assets directly or indirectly promote employee ownership of qualified businesses or employee participation in governance and management. The corporation would be required to repay the amount of the grant to the Department of Commerce.

The bill would create a tax deduction for 50% of amounts contributed by individuals to the corporation. The amount that would be contributed by individuals to the corporation is not known. If \$10 million were contributed, \$5 million would be deducted from taxable income. Assuming a tax rate of 6.5%, a deduction of \$5 million would reduce individual income tax revenues by \$325,000 (\$5 million x 6.5%). Income tax revenues could also increase by an undetermined amount if contributions produce earnings that are subject to tax.

Long-Range Fiscal Implications