

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-4228/2	Introduction Number SB-451
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Subject
 Technical college districts; appropriations for SB 384, Wis Advantage Jobs Training Program

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. <input checked="" type="checkbox"/> Increase Costs	3. <input checked="" type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts
<input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.292 (1) (cn) and (kn)	

Agency/Prepared By	Authorized Signature	Date
WTCS/ Janet Washbon (608) 266-2017	Dan Clancy (608) 266-7983	2/18/2004

Fiscal Estimate Narratives

WTCS 2/18/2004

LRB Number	03-4228/2	Introduction Number	SB-451	Estimate Type	Original
Subject					
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Assumptions Used in Arriving at Fiscal Estimate

This bill creates an appropriation to fund the Wisconsin Advantage Program created under 2003 SB 384. If enacted, this bill would be void unless 2003 SB 384 creating the Wisconsin Advantage Program is also enacted. Therefore, the fiscal estimate for this bill is similar to that for 2003 SB 384.

Under the Wisconsin Advantage Program to encourage workforce training and economic development, a technical college district board, with the approval of the Wisconsin Technical College System (WTCS) Board is authorized to enter into a contract with a business to provide job training, adult basic education, vocational and professional services, and training facilities, equipment, and material to the business. The contract between the technical college district and a business may not provide more than \$3,500 in services per trainee unless a higher limit is approved by the Joint Committee on Finance. In addition, the WTCS Board must ensure that the total cost of such contracts does not exceed \$10,000,000 in any fiscal year unless the Joint Committee on Finance approves a higher limit.

SB 384 allows a technical college district board to secure payment for these services from a business or to issue revenue bonds to finance the costs of providing these services and materials to a business. The district board may not, however, levy a tax to pay debt service on revenue obligations issued for the purposes of paying the costs of providing services under such contracts.

SB 384 requires the Department of Revenue (DOR) to determine the total wages subject to income tax withholding is calculated for an individual who has been provided training or education by a technical college district under a contract described above and calculate the total for each technical college district. The names of such individuals are certified to DOR by the Department of Commerce.

Under the provisions of SB 451, DOR must then certify 1.5 percent of the amount calculated for each technical college district to the WTCS Board and appropriate the funds to the WTCS Board which distributes the amounts to the districts.

Although SB 384 requires the WTCS Board to approve the contracts between technical college districts and business and industry under the Wisconsin Advantage Program, the bill does not provide additional staffing or funding to the WTCS Board. As a result, the WTCS Board assumes that these functions will be carried out by existing System Office staff. These costs are indeterminate because it is impossible to estimate the number of contracts districts will enter into under the Wisconsin Advantage Program.

In addition, under SB 384, the WTCS Board is required to promulgate rules to administer the contract approval portion of the Wisconsin Advantage Program. System Office staff estimates that the code development work will require approximately 300 hours of labor to write the necessary rules to comply with the requirements of the bill. These costs are estimated at \$15,000.

The local government costs of the Wisconsin Advantage Program as described in SB 384/SB 451 would include the cost of obtaining WTCS Board approval, providing the contracted services, issuing revenue bonds, and administering the contracts and the special redemption fund created to repay the revenue bonds. As envisioned in SB 384, all of the technical college district costs associated with the Wisconsin Advantage Program would be repaid by the fees collected from business receiving the contracted services, the payments received from the state based on the taxable income of persons who have received training through the Wisconsin Advantage Program, and any other moneys designated by the district board other than property tax levies. Under SB 384, the WTCS Board could approve in any fiscal year up to \$10 million contracts under the auspices of the Wisconsin Advantage Program. Amounts of contracts in excess of \$10 million would require approval by the Joint Committee on Finance. Assuming that the total direct and indirect costs of the training contracts including interest on the revenue bonds will be included in the bonding, the

total cost of the bonds issued will likely be greater than \$10 million, but is indeterminate.

Under the provisions of SB 451, a special revenue bond stabilization fund is created. The WTCS Board is required annually to determine the amount to be transferred from the main appropriation to this stabilization fund. In the first year (2004-05), no more than 7% of the total amount of the appropriation is to be transferred to create an initial reserve in the fund. The maximum percentage declines to 6% in 2005-06, and to 5% in 2006-07 and thereafter. In the event that the revenue stream derived from the taxable income of persons receiving the training is insufficient to repay the revenue bonds issued by the technical college districts under the Wisconsin Advantage Program, districts would be required to repay the bonds from district revenues other than the property tax levy. The reserve held in the special revenue bond stabilization fund is designed to offset any shortfall in revenue collected to repay the bonds. If the reserves in this fund are insufficient to repay the bonds, a district would be required to reallocate district funds from existing purposes, but the amount of this reallocation is indeterminate.

Long-Range Fiscal Implications

Indeterminate.

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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Subject		
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$15,000	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$15,000 \$	
B. State Costs by Source of Funds		
GPR	15,000	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$15,000	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By	Authorized Signature	Date
WTCS/ Janet Washbon (608) 266-2017	Dan Clancy (608) 266-7983	2/18/2004