

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-1297/4	Introduction Number AB-208
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Subject
 Job opportunity building development zones

Fiscal Effect

State:

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

Local:

<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue		<input type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts

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;143 (1) (a)	

Agency/Prepared By COMM/ Julie Keal (608) 266-6748	Authorized Signature Louie Cornelius (608) 266-8629	Date 3/15/2005
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Fiscal Estimate Narratives
COMM 3/16/2005

LRB Number 05-1297/4	Introduction Number AB-208	Estimate Type Original
Subject Job opportunity building development zones		

Assumptions Used in Arriving at Fiscal Estimate

Under this bill, the Department of Commerce would have the following responsibilities:

1. Designate not more than ten rural enterprise development zones. In order to designate a zone, Commerce must determine that the area does not exceed 5,000 acres and that no part of a city of the first class or city with a population greater than 200,000 is included. Commerce must also examine indicators of economic need of the area, including household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, and the rate of business development for each area that applies. The department shall, to the extent possible, give preference to areas with the lowest population densities and the greatest economic need.
2. Certify businesses within the zones for tax credits. The department may certify businesses that begin operations in the zone, businesses that locate to the zone from out of state, and businesses that locate to the zone from other areas of the state, if certain conditions are met. Under these conditions, the business must increase the number of full-time employees in the zone by at least 10% or must make a capital investment in property in the zone, the value of which is equal to at least 10% of the business's gross revenues in the preceding tax year. The business must enter into an agreement with the department to claim tax benefits only for years in which it either maintains the capital investment or the jobs. The department may require it to repay any tax benefits claimed for any year in which it fails to maintain employment or capital investment levels.
3. Notify the Department of Revenue of all businesses certified.
4. Revoke certification if a business supplies false or misleading information to receive tax benefits, leaves the zone to conduct substantially the same business outside of the zone, or ceases operations in the zone and does not resume operations within 12 months.
5. Annually, verify information for each certified business submitted in support of claims under the tax credits created by the bill. Commerce will need to review and verify information regarding income of the business, gain derived from the sale or exchange of property, gain derived from the sale or exchange of real property within the zone, payroll within the zone in the base year and the taxable year, the number of full-time employees in the zone in the base year and the taxable year, the amount of property taxes paid in the taxable year for the claimant's personal property, the amount of sales and use taxes paid on the claimant's purchase of tangible personal property and taxable services that are used or consumed primarily in the zone, and the amount paid in the taxable year to upgrade or improve the skills of any of the claimant's full-time employees, to train any of the claimant's full-time employees on the use of new technologies, or to train any full-time employee whose employment with the claimant represents the employee's first full-time job.

To administer this program, the department will require 2.0 FTE GPR positions. These positions will be an economic development consultant and a grants specialist. The economic development consultant will work with zones and businesses to determine how best to meet their needs and increase economic development in the zones. The grants specialist will work with certifying businesses and verifying tax credit claims. Annual costs will be as follows:

Salary -- \$82,000
Fringe -- \$35,200
Supplies -- \$12,000

TOTAL -- \$129,200

Long-Range Fiscal Implications

None.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$4,000 in the first year for computers for both FTEs.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$117,200	
	(FTE Position Changes)	(2.0 FTE)	
	State Operations - Other Costs	12,000	
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$129,200	\$
B. State Costs by Source of Funds			
	GPR	129,200	
	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	\$129,200	\$
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		Authorized Signature	Date
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