

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number 07-3855/2	Introduction Number SB-434	
Description Relating to: cleanup and consolidation of Department of Commerce economic development programs, establishing a comprehensive annual reporting requirement, requiring the development of programmatic goals and accountability measures for economic development grants and loans, requiring the exercise of rule-making authority, and making an appropriation.		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
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 0 <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	Authorized Signature	Date
COMM/ Julie Keal (608) 266-6748	Louie Cornelius (608) 266-8629	2/7/2008

Fiscal Estimate Narratives

COMM 2/7/2008

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Assumptions Used in Arriving at Fiscal Estimate

Commerce's Goals and Benchmarking Responsibilities

1. Establish clear and measurable goals for each economic development program.
2. Establish at least one benchmark for each goal.
3. Require each grant or loan recipient to submit to Commerce a report. Commerce must annually independently verify these reports by testing a sample.
4. Establish a method for evaluating projected results of programs with actual outcomes.
5. Require recipients of \$100,000 or more to submit a verified statement signed by a CPA and the principal officer of the recipient.
6. Establish by rule policies and procedures to recoup payments, withhold payments, or impose fines or penalties if a recipient submits false or misleading information or fails to comply with a contract with the department.

These responsibilities will increase workload for the department. The LAB audit identified 87 economic development programs at Commerce, of which 4 are eliminated by this bill. The LAB has identified 6 of these programs as already repealed, 5 as unfunded, and 10 as inactive. This leaves 62 programs for which Commerce would create benchmarks and goals, and track those benchmarks and goals. Commerce will need to compare projected outcomes to actual outcomes for each award and work with businesses to remedy any shortcomings. On a program level, the comparison will need to be statistically sound because it will serve as the basis for proposing changes to the program.

Over the past 4 years, Commerce has made an average of 370 economic development awards each year. If Commerce's sample size for testing is 20%, that would require Commerce to independently verify on average 75 reports each year. Independent verification would consist of a detailed review of the business's operations, which would include verification of job creation (through examination of actual payroll records), capital investment, worker training (through examination of training records), and other investment included in the economic development project funded by Commerce. Commerce estimates that each verification will take 30 hours, which includes preparation (review of initial contract, report, statutes and administrative code), travel, examination of records, report writing, development of remedies and working with the business to effect remedies. Other work will include the development of a comprehensive tracking and reporting system, and the entry of data into that system.

These goal-setting, benchmarking, and verification responsibilities would require 2.0 FTE positions at Commerce. These positions will have the following costs.

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

TOTAL -- \$129,200

Commerce's Economic Development Assistance Reporting

Commerce must annually submit a comprehensive report assessing the economic development programs it administers to the Joint Legislative Audit Committee and the appropriate standing committees of the Assembly and the Senate. This report must contain information about:

1. The number of grants and loans made each year.
2. The amount of each grant and loan.
3. The name of each recipient.
4. The sum total of all grants and loans received by each recipient.

Seven other state entities (UW System, DATCP, DNR, WHEDA, Tourism, WTCS, and DOT) must also submit reports under the bill. Commerce is responsible for coordinating the development of the programmatic goals and accountability measures of these entities to ensure that they are adequate, compatible, and effective. Commerce is also responsible for ensuring that all entities have their information readily accessible to the public on an Internet-based system.

The site will consist of two major components—a searchable database that will list all businesses and organizations receiving economic development assistance and an annual report that details the recipient's progress in the development and employment commitments for the project. The Department of Commerce's Information Technology Bureau estimates that it will take approximately 2000 hours to develop this application. Based on an annual application development position of 1650 billable hours, it will take approximately a year and a quarter for one full-time employee to complete this project. After the application is developed, it is not expected to change and further technical maintenance should be able to be absorbed by the current Information Technology staff. The Department of Commerce's Information Technology Bureau estimates that it will cost about \$50,000 in other administrative expenses, such as software and development tools. Annual costs for 1.0 FTE project position (needed for 1.5 years) will be as follows:

Salary -- \$62,400
Fringe -- \$28,400
Supplies -- \$11,500
Other software expenses -- \$50,000
Total -- \$152,300

One full time Community Services Specialist will need to be created in the Division of Business Development to maintain the Wisconsin Business Subsidies Reporting database and website. The annual projected costs for this position are as follows:

Salary -- \$32,700
Fringe -- \$14,900
Supplies -- \$11,500
Total -- \$59,100

Businesses receiving economic assistance will be reporting an array of information, such as data on job retention, job creation, wages, and benefits, to the Department of Commerce. This information will need to be reviewed by the Department before being placed on the internet. The specialist will evaluate the information reported and work closely with organizations and businesses to ensure the system provides accurate and current information. In addition, the specialist will help grow website utilization and train businesses and organizations in the proper use of the website. This position will also serve as technical support, offering an invaluable tool to businesses, organizations and individuals seeking information regarding the website. In addition to website maintenance and training, the specialist will also serve a crucial role in developing regular and special reports and formulating system policy. The specialist will also be responsible for coordinating the website with other agencies and working with them to ensure that their information is accessible.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 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): \$50,000 in software expenses for the internet based reporting system.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$255,600	\$
	(FTE Position Changes)	(4.0 FTE)	
	State Operations - Other Costs	35,000	
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$290,600	\$
B. State Costs by Source of Funds			
	GPR	290,600	
	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, ets.)			
		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		\$290,600	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
COMM/ Julie Keal (608) 266-6748		Louie Cornelius (608) 266-8629	2/7/2008