



## WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

**2009 Senate Bill 409**

**Assembly Amendment 6**

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This memorandum describes all of the following:

- Senate Bill 409 (SB 409).
- Senate Substitute Amendment 1 (SSA 1).
- Senate Amendment 1 (SA 1) to SSA 1.
- Assembly Amendment 6 (AA 6) to SB 409.

### **2009 Senate Bill 409**

Generally, **SB 409** proposes changes to state law related to economic development. The bill expands the angel investment and early stage seed investment tax credits, and creates a post-secondary education tax credit for businesses. Additionally, Senate Bill 409 creates or expands various grant and loan programs administered by the University of Wisconsin (UW) System, the Wisconsin Technical College System (WTCS), and the Department of Commerce (Commerce).

In the UW System, the bill expands or creates programs related to:

- Wisconsin small company advancement program grants through the WiSys Technology Foundation (WiSys).
- UW System business plan competition.
- UW La Crosse emerging technology center.

In the WTCS, the bill expands advanced manufacturing skills training program grants.

In Commerce, the bill expands or creates programs related to:

- Rural outsourcing (farmshoring).
- Small business innovation research grant writing at the Wisconsin Technology Council.
- Economic modeling at the Wisconsin Technology Council.
- Regulatory ombudsman center.
- Wisconsin development fund.
- Microloan pilot program.
- Manufacturing facility conversion grants.
- Technology transfer grant and loan program.
- Pleasant Prairie Technology Incubator Center.

**Senate Substitute Amendment 1**

*SSA 1* modifies several of the provisions listed above. Under SB 409, the UW La Crosse Emerging Technology center would be required to obtain private matching funds in order to be eligible for funding under the bill. Under the substitute amendment, the technology center must obtain matching funds from “non-state” sources and may satisfy the matching requirements through in-kind contributions.

The substitute amendment modifies the WiSys small company advancement program in a similar manner, allowing matching funds to include in-kind contributions. The substitute amendment specifies that the UW Board of Regents may not award a grant to WiSys unless WiSys secures matching funds after January 1, 2010. The substitute amendment also permits the board to award WiSys not more than \$75,000, exempt from the matching requirement, for administrative expenses. Additionally, WiSys must submit annual progress reports on the use of grants for small company advancement to the Co-Chairs of the Joint Committee on Finance and the chief clerk of each house of the Legislature.

The substitute amendment increases funding for advanced manufacturing skills training in the WTCS. Current law funds the program at \$1 million in the current biennium. Senate Bill 409 increases that funding to \$1.5 million, while the substitute amendment increases the funding to \$2 million.

The substitute amendment modifies the administration of the microloan program by requiring Commerce to use a competitive process to select a Wisconsin non-profit finance corporation to administer the pilot program.

The substitute amendment also modifies the manufacturing facility conversion grants, permitting grants to be awarded to any existing manufacturing facilities. Senate Bill 409 required the facilities to be unutilized or underutilized.

The substitute amendment permits unused angel and early stage seed investment tax credits to be carried forward or transferred to the allocations for the zone development tax credit and the jobs tax credit. Under the amendment, the Joint Committee on Finance may review Commerce's decision to reallocate credits during the 14-day period following notice from Commerce of the reallocation.

Additionally, the substitute amendment modifies the angel investment credit to allow investors to claim the credit for investments made up to two months before a company moves to Wisconsin if that company is qualified as a new business venture within six months of its relocation to Wisconsin.

In addition to the modifications described above, the substitute amendment raises the statutory funding cap for the Wisconsin Technology Council to \$750,000 to reflect current funding levels. The substitute amendment also allocates \$250,000 per year for a skills enhancement program in the Department of Children and Families targeting individuals who work at least 20 hours a week and whose income is at or below 150% of the poverty line. Under the amendment, the skills enhancement program shall include access to transportation, child care, career counseling, job placement assistance and financial support for education and training.

#### **Senate Amendment 1 to Senate Substitute Amendment 1**

Under current law, a taxpayer may claim an early stage seed investment tax credit in the amount of 25% of the taxpayer's investment paid to a fund manager if the manager invests in a certified business.

SA 1 to SSA 1 modifies the early stage seed tax credit for taxable years beginning after December 31, 2009 and before January 1, 2014. Under the amendment, a taxpayer may claim 40% of the taxpayer's investment paid to a fund manager if each of the following applies:

- The fund manager has invested no more than \$500,000 in the certified business.
- The business has received no more than \$2,000,000 in investments that have qualified for early stage seed investment tax credits.

Additionally, the amendment clarifies that the maximum limit on the jobs tax credit is \$14,500,000, not including the amount of any unused angel or early stage seed investment credit reallocated under the substitute amendment.

The amendment revises the administration of rural outsourcing grants but keeps the \$500,000 limit on total rural outsourcing grants. The amendment repeals an appropriation related to rural outsourcing grants on June 30, 2011.

The amendment increases the appropriation for the small business ombudsman in the second year of the biennium by \$75,000.

**Assembly Amendment 6 to Senate Substitute Amendment 1**

AA 6 to SB 409 contains all of the provisions described below. AA 6 amends the bill as it is before the Assembly (that is, as amended by SSA 1 and SA 1 to SSA 1). In this section of the memorandum, references to SB 409 are to the bill as passed by the Senate.

**Creation of the “Office Of Regulatory Assistance”**

***Current Law***

Under current law, Commerce is directed to establish and operate a small business ombudsman clearinghouse “for business and industry to facilitate the flow of information from other state and federal agencies, to assist state agencies in establishing methods to encourage the participation of small businesses in rule making” and to serve as ombudsman for small business stationary sources, in connection with the implementation of the federal Clean Air Act.

Under current law, there is also a Regulatory Ombudsman Center in Commerce. The center is directed to do all of the following:

- Upon request by a person applying for a permit, resolve misunderstandings between the person and the agency and prevent or mitigate delays in the process.
- Assist, in various ways, any person requesting information on which permits are required for a particular business activity or on the application process. This assistance may include arranging a meeting between the person and the staff of the appropriate regulatory agency.
- If a person receives assistance and applies for a permit and if the person requests, monitor the status of the permit application and periodically reporting the status to the person.
- Provide advocacy services before regulatory agencies on behalf of permit applicants.
- Maintain and publicize the availability of a toll-free telephone line available to in-state and out-of-state callers to the center.
- Seek to explain, promote, and publicize its services to the public and provide information on its services for inclusion in any public informational material on permits provided by regulatory agencies.

***SB 409***

SB 409 increases the Commerce economic development general operations appropriation by \$75,000 for the second year of this fiscal biennium to increase the authorized full-time equivalent (FTE) positions for the regulatory ombudsman center by 1.0 general purpose revenue (GPR) position. (This provision is found in SSA 1 to SB 409.)

SB 409 also increases the Commerce economic development general operations appropriation by \$75,000 for the second year of this fiscal biennium to provide supplemental funding so that a previously

authorized 1.0 FTE GPR small business ombudsman position is funded for a full year. (This provision is found in SA 1 to SSA 1 to SB 409.)

***Assembly Amendment 6***

**AA 6** renames the current “Regulatory Ombudsman Center” in Commerce as the “Office of Regulatory Assistance” and modifies the duties of the renamed Office pertaining to assisting businesses in the process of obtaining permits.

Under current law, the Regulatory Ombudsman Center is directed to expedite the process of applying for permits, of reviewing and making determinations on permit applications and of issuing permits as follows:

1. The center must discharge its responsibilities under sub. (2) [providing certain information about permits] in a manner designed to expedite the process.
2. Upon request by a person applying for a permit and to the extent possible, the center must resolve misunderstandings between the person and the appropriate regulatory agency and prevent or mitigate delays in the process.
3. If the center determines that it is unable to resolve misunderstandings or prevent or mitigate delays, the center must request the assistance of the secretary and the head of the appropriate regulatory agency.
4. If the center determines that the secretary and head of the appropriate regulatory agency are unable to resolve misunderstandings or prevent or mitigate delays, the center must request the assistance of the Governor.

The center must give priority to businesses new to this state and to businesses expanding within this state in providing assistance with permits as described above. The center must maintain records identifying each person requesting assistance and setting forth assistance rendered and results achieved.

Under the AA 6, the requirements described above are deleted, and the Office of Regulatory Assistance is instead directed to do all of the following:

1. Provide assistance with obtaining and maintaining permits, and any licenses and approvals necessary for a business to operate in this state, including doing all of the following on behalf of businesses:
  - Explaining requirements for obtaining permits.
  - Tracking the progress of applications for permits.
  - Helping businesses comply with laws and rules applicable to businesses, including providing plain-language explanations of laws and rules.
2. Serve as a liaison between businesses and agencies, authorities, municipalities, and local economic development organizations.

The amendment also provides two positions for the Office of Regulatory Assistance as follows:

- Requires the Office of Regulatory Assistance to be staffed by at least two full-time employees of Commerce. The office must annually submit a report on its work which is to be distributed to the appropriate standing committees of the Legislature.
- Requires Commerce to assign one full-time employee of the small business ombudsman clearinghouse to provide assistance to businesses as specified under the statutory provisions governing the Office of Regulatory Assistance and specifies that the 1.0 FTE GPR small business ombudsman position created in the bill is “for the purpose of performing the responsibilities assigned to the office of regulatory assistance under this Act.”
- Specifies that the 1.0 FTE GPR position created in the bill is for the Office of Regulatory Assistance rather than the Regulatory Ombudsman Center.

### **Manufacturing Facility Conversion Grants**

#### ***SB 409***

SB 409 increases the appropriation to the Wisconsin Development Fund (WDF) by \$3,000,000 for the 2009-11 fiscal biennium. SB 409 requires Commerce to award grants from the WDF in fiscal year 2010-11 to provide incentives to companies for converting existing manufacturing facilities to the production of renewable energy or the manufacturing of equipment used in the production of renewable energy. The total amount of grants awarded may not exceed \$2,000,000.

Commerce may promulgate rules necessary to implement this authority as emergency rules without making a finding of necessity.

#### ***AA 6***

AA 6 provides that if, as of June 30, 2011, not all of the \$2 million has been spent on the grants described above, the remaining funds may be used to provide funding for loans to manufacturing businesses for implementing energy efficiency measures in their facilities, for retooling to manufacture products that support the green economy, for expanding or establishing domestic clean energy manufacturing, or for creating jobs or retaining workers engaged in the preceding activities. 2009 Assembly Bill 904 and 2009 Senate Bill 651 would create a program in Commerce under which loans could be provided for these purposes. AA 6 provides that if the provisions of 2009 Assembly Bill 904 and 2009 Senate Bill 651 are not enacted, any unspent funds under the grant program revert to the general fund.

### **Reallocation of Unused Angel and Early Stage Seed Tax Credits**

SB 409 authorizes Commerce to reallocate any unused angel or early stage seed investment tax credits to the Jobs Tax Credit program or the Enterprise Zone Tax Credit program.

AA 6 specifies that unused angel or early stage seed investment tax credits may be reallocated only to the Jobs Tax Credit program, not the Enterprise Zone Tax Credit program.

## **Modifications to the Economic Policy Board**

### ***Current Law***

Under current law, there is an Economic Policy Board (Board) attached to Commerce. The Board has various duties related to economic development programs, which are set forth in statutes pertaining to the specific programs. The Board consists of the following members:

1. The Secretary of Commerce or the secretary's designee.
2. The Secretary of Workforce Development or the secretary's designee.
3. The director of the technical college system or the director's designee.
4. Six other members nominated by the Governor, and with the advice and consent of the Senate appointed, for two-year terms. These members must represent the scientific, technical, labor, small business, minority business, rural, and financial communities of this state.
5. One member appointed by the Speaker of the Assembly.
6. One member appointed by the Senate Majority Leader.
7. One member who is a minority group member who operates or has operated a minority business.

### ***AA 6***

AA 6 specifies that the Board must do all of the following:

- Consult with the Commerce on strategic economic policy for the state.
- Suggest legislation to achieve strategic economic policy objectives.

AA 6 also deletes provisions in various statutes that require Commerce to consult or cooperate with the Board before taking certain actions, including promulgating rules, awarding grants or loans, encouraging small businesses to apply for grants or loans, developing policies relating to obtaining reimbursement of grants and loans, and monitoring the use of grants and loans by recipients.

## **Exemption From Statutory Fund Balance Requirement**

### ***Current Law***

Section 20.003 (4), Stats., provides that no bill directly or indirectly affecting GPR may be enacted by the Legislature if the bill would cause the estimated general fund balance on June 30 of any fiscal year to be an amount equal to less than specified amounts for that fiscal year.

**AA 6**

AA 6 specifies that the statutory provision described above does not apply to enactment of the bill.

**Legislative History**

The Senate Committee on Economic Development introduced Senate Substitute Amendment 1 to 2009 Senate Bill 409. On December 17, 2009, the committee recommended adoption of Senate Substitute Amendment 1 and passage of Senate Bill 409, as amended, by votes of Ayes, 7; Noes, 0.

On January 15, 2010, the Joint Committee on Finance introduced and adopted Senate Amendment 1 to Senate Substitute Amendment 1, and adopted Senate Substitute Amendment 1, as amended, by votes of Ayes, 13; Noes, 0.

On January 21, 2010, the Senate adopted Senate Amendment 1 to Senate Substitute Amendment 1, and Senate Substitute Amendment 1, as amended. Senate Bill 409 passed the Senate by a vote of Ayes, 32; Noes, 1.

On April 12, 2010, Representative Molepske Jr., introduced AA 6 to SB 409. On April 13, 2010, the Assembly Committee on Jobs, the Economy and Small Business adopted AA 6 on a vote of Ayes, 7; Noes, 5, and recommended concurrence in the bill, as amended, on a vote of Ayes, 10; Noes, 2.

SG:MM:ksm