



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 4, 2001

Joint Committee on Finance

Paper #281

International Liaison Funding (Commerce -- Departmentwide and Economic Development)

[LFB 2001-03 Budget Summary: Page 177, #12]

CURRENT LAW

The Division of International and Export Services assists Wisconsin businesses in increasing their sales in the international marketplace. The Division contracts with individuals or agencies in foreign countries for assistance in the growth of Wisconsin exports and the promotion of Wisconsin as an investment location.

GOVERNOR

Provide \$49,200 PR in 2001-02 and \$57,300 PR in 2002-03 to fund an international liaison position in the Division of International and Export Services. The funding would be used for salaries, fringe benefits, and supplies to fill a vacant position that would be converted to the international liaison. Commerce would be authorized to assess any state agency any amount that Commerce determined was required for the services of the international liaison. The Department could assess state agencies on a premium basis and pay all costs incurred on an actual basis. Assessments would be placed in the Department's economic and community development, sale of materials and services appropriation and used to provide funding for the liaison.

DISCUSSION POINTS

1. The Division of International and Export Services has base level funding of \$2,001,900 GPR and \$51,700 PR and 10.0 GPR and 1.0 PR positions. The positions include the Division administrator and two staff support positions. The Division also has four international outreach consultants based in Waukesha, Oshkosh, Eau Claire, and Madison to assist firms that

have been successful in the domestic market to expand their efforts into international markets. Consultant activities include: (a) direct consultation with exporters regarding key elements of marketing and selling overseas; (b) providing marketing information; (c) disseminating export sales leads; (d) introducing private sector service providers; (e) organizing trade missions; (f) speaking at seminars and other events; (g) generating lists of state exporters; and (h) maintaining a website with relevant links. Three additional staff in Madison specialize in specific regions of the world and assist exporters with information about the business culture and market conditions of countries in their regions. A trade show specialist position administers recruitment and logistical services related to trade shows and missions. Division staff arrange itineraries for business delegations visiting Wisconsin. Additional trade promotion activities include organization of Governor-led trade missions and sponsoring group participation in trade events outside the U.S. The Division also administers the Wisconsin Development Fund (WDF) trade show grant program.

The Division contracts with individuals to operate dedicated trade offices in Frankfurt, Germany and Mexico City, Mexico. Under the auspices of the Council of Great Lakes Governors, the Division shares a trade office in Toronto, Canada, with Pennsylvania and Indiana and in Brazil, Chile, Argentina and South Africa with Pennsylvania, Indiana, Ohio and New York. The Division has personal service contracts with companies for export assistance in China (including Hong Kong and Taiwan), Korea, the ASEAN countries of Southeast Asia, and eastern mediterranean/middle east countries (Israel, Jordan, Turkey and UAE). Commerce's foreign trade offices and contracts provide in-country assistance to Wisconsin exporters. They supplement the international business counseling offered by Wisconsin-based staff, conduct market research, viability analyses and mail campaigns, conduct agent/distributor or client/end user searches, arrange appointments for visiting Wisconsin business people, conduct background and credit checks, and assist with trade shows and missions.

2. The expenditure authority provided in the bill would allow Commerce to create an international liaison position that would provide centralized planning and coordination for visits by foreign delegations, business groups, government officials and individuals. Foreign groups and individuals frequently visit state agencies, educational institutions, elected officials and organizations for business, educational, political, cultural and social purposes. Commerce has documented over 60 such visits in 2000. In addition, there are a number of annual events, such as U.S. State Department international visitors tours, through which foreign groups and individuals visit the state. Generally, staff of the state agency, organization, institution or official that is visited work separately with foreign delegations and individuals to plan, coordinate and host such visits. In some cases Commerce provides assistance. The international liaison would serve as single point of contact for all foreign visitors and would be responsible for activities such as making travel arrangements, planning and scheduling meetings, arranging dinners, receptions and other social events, and organizing information exchanges. Creating the liaison position is intended to ensure that visits are well organized, occur with no problems, addresses the visitors' needs and creates a good impression of the state.

3. To fund the international liaison position, the bill would provide additional expenditure authority of \$49,200 PR in 2001-02 and \$57,500 PR in 2002-03 in the Department's

economic development program revenue appropriation for revenues received for providing materials and services to state agencies. The appropriation has base level expenditure authority of \$273,200 PR and 2.8 PR positions. However, 2.3 of the positions are vacant and in compiling the budget, expenditure authority for the vacant positions was removed as a standard budget adjustment. The positions were authorized to administer the vocational rehabilitation economic development (VRED) program which was a joint program of Commerce and the Division of Vocational Rehabilitation (DVR) in the Department of Workforce Development designed to encourage businesses to employ disabled individuals. The program was funded with federal vocational rehabilitation funds received under a contract with DVR and a state GPR match through Commerce financial assistance programs and staff. The contract with DVR and program ended in December, 2000.

4. The appropriation for revenues from the sale of materials or services is a program revenue, continuing appropriation. Dollar amounts in the schedule for such appropriations represent the most reliable estimates of the amounts that will be expended. However, expenditures may be made from the appropriation if revenues are sufficient to fund the costs. Table 1 shows estimated revenues, expenditures and appropriation balances under the bill. The table assumes that a vacant position would be converted to the international liaison and that Commerce would generate sufficient revenues to fund the position from charges assessed against state agencies. The table shows that the appropriation would have a projected deficit in each year of the biennium. However, this is due to a negative appropriation balance carried forward into 2000-01. Ongoing revenue would exceed ongoing expenditures and, over time, the deficit in the appropriation would be gradually reduced.

**Projected Revenues, Expenditures and Appropriation
Balances for Sales of Materials and Service Appropriation**

Opening Balance	-\$127,600	-\$127,300
Revenues	79,400	88,300
Expenditures	<u>-79,100</u>	<u>-88,100</u>
 Closing Balance	 -\$127,300	 -\$127,100

5. As noted, foreign visits are currently planned, organized, coordinated and hosted by the agencies, organizations and individuals that are visited and, in some cases, Commerce provides assistance. It could be argued that the current system of hosting foreign visits has continued for many years without significant problems. From this view, there would be no need to provide additional funding and a position to centralize coordination of foreign visits. Moreover, the 2.3 vacant positions that were authorized for the VRED program could be deleted because the program ended in December. (Expenditure authority for the positions was deleted as a standard budget adjustment.) However, if funding is approved for the international liaison position, the remaining 1.3 vacant positions could be deleted.

6. If the Committee approves the Governor's recommendation to provide funding for the international liaison position, a question may be raised whether any limitations should be placed on Commerce's ability to assess any state agencies any amount the Department determines would be required to fund the position and related activities. The bill would allow Commerce to assess a fee on another agency for the liaison's services even if that agency did not request or agree to use the liaison. Therefore, the Committee may also wish to require that the agency must agree to use the international liaison's services before Commerce can impose an assessment. The bill would allow Commerce to charge agencies on a premium basis and monies assessed would be placed in a PR continuing appropriation for monies received from other state agencies. In addition, the proposed language could be interpreted as allowing the Department to charge agencies for more than actual costs incurred for the liaison. Since monies would be placed in a PR continuing appropriation, the Department could spend any amount of funds collected. As a result, the Committee may wish to delete authority for Commerce to charge agencies on a premium basis and instead require that they charge agencies for actual costs incurred.

ALTERNATIVES TO BASE

A. International Liaison Staffing

1. Approve the Governor's recommendation to provide expenditure authority of \$49,200 PR in 2001-02 and \$57,300 PR in 2002-03 to fund a vacant position as an international liaison in the Division of International and Export Services.

Alternative A1	PR
2001-03 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$106,500 \$0]
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$106,500 \$0]

2. Approve the Governor's recommendation to provide expenditure authority of \$49,200 PR in 2001-02 and \$57,300 PR in 2002-03 to fund a vacant position as an international liaison in the Division of International and Export Services. Further, delete 1.3 PR vacant positions funded by the appropriation. (Expenditure authority for the positions was deleted in standard budget adjustments.)

Alternative A2	PR
2001-03 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$106,500 \$0]
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$106,500 \$0]
2001-03 POSITIONS (Change to Base) <i>[Change to Bill]</i>	- 1.30 - 1.30]

3. Do not adopt the Governor's recommendation. Further, delete 2.30 PR vacant positions funded by the Department's economic and community development, sale of materials and services appropriation a [20.143(10)(k)]. (Expenditure authority for the positions was deleted in standard budget adjustments.)

Alternative A3	PR
2001-03 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$0 - \$106,500
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 - \$106,500
2002-03 POSITIONS (Change to Base) <i>[Change to Bill]</i>	- 2.30 - 2.30]

4. Maintain current law.

Alternative A4	PR
2001-03 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$0 - \$106,500]
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 - \$106,500]

B. Commerce Fees

1. Approve the Governor's recommendation to authorize Commerce to assess any state agency any amount that it determined was required for the services of the international liaison. Provide that Commerce assess state agencies on a premium basis and pay all costs incurred on an actual basis. Place assessment revenues in the Department's economic and community development, sale of materials and services appropriation a [20.143 (10 (k))] to provide funding for the liaison.

2. Allow Commerce to charge on a premium basis for costs to be incurred for international liaison services requested by a state agency. In addition, require an agency to agree to the premium for the liaison's services before Commerce can charge the agency for the liaison's services.

3. Allow Commerce to charge agencies only for the costs incurred by Commerce in providing the international liaison services requested by another state agency.

Prepared by: Ron Shanovich