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Joint Committee on Finance

Paper #840

Reestimate WEDC SEG Appropriation (Wisconsin Economic Development Corporation)

[LFB 2023-25 Budget Summary: Page 687, #2]

CURRENT LAW

The Wisconsin Economic Development Corporation (WEDC) is a public-private entity created under state law as the state's lead agency in promoting economic development. The state appropriates to WEDC a combination of general purpose and segregated revenues for its economic development programs.

WEDC's primary source of funding is the economic development surcharge, which is imposed on tax-option (S) corporations, C corporations, and insurers that are required to file a corporate income/franchise tax return if they have more than \$4,000,000 in gross receipts from all activities. Partnerships and individuals are exempt from the surcharge. The surcharge equals 3% of gross tax liability for C corporations and insurers, or 0.2% of net business income for S corporations. The minimum economic development surcharge is \$25, and the maximum is \$9,800. All collections are deposited in the economic development fund, which are then made available to WEDC (less certain costs for administration by the Department of Revenue) in an all monies received SEG appropriation.

WEDC is also provided a biennial SEG appropriation with base funding of \$1,000,000 annually for brownfield site assessment grants from the environmental fund.

In addition to SEG revenues from the economic development and environmental funds, WEDC receives GPR funding for its operations and programs under a sum sufficient appropriation. GPR may be expended from WEDC's sum sufficient appropriation only if there are no unencumbered moneys available in the economic development fund. Thus, the first draws for programs and operations should come from the economic development fund until the available balance of the SEG appropriation is depleted. Specifically, the funding for operations and programs is provided in an amount of GPR equal to \$41,550,700 minus the amounts expended

from the economic development fund and the environmental fund. However, GPR programs and operations spending in any year is limited to no more than \$16,512,500.

This appropriation structure serves two main purposes. First, requiring SEG expenditures before GPR expenditures prevents the economic development fund from accumulating a large, unused balance. Second, it functions as a floor of funding for planning WEDC operations and programs to protect against the risk of lower than anticipated SEG revenues. In the event SEG revenues are less than \$41,550,700, GPR will be appropriated to meet that floor for WEDC funding, up to a maximum of \$16,512,500. If SEG revenues exceed that floor, no GPR is provided.

MODIFICATION

Reestimate WEDC's all monies received operations and programs SEG appropriation at \$46,000,000 in 2023-24 and \$45,000,000 in 2024-25 from the economic development fund. The following table shows WEDC's estimated funding level, relative to the base.

Estimated State Appropriations for WEDC Operations and Programs

	<u>GPR</u>	<u>SEG</u>		<u>Total</u>
		<u>Economic Dev. Surcharge</u>	<u>Environmental Fund</u>	
Base	\$4,550,700	\$36,000,000	\$1,000,000	\$41,550,700
2023-24	\$0	\$46,000,000	\$1,000,000	\$47,000,000
Difference w/ Base	-\$4,550,700	\$10,000,000	\$0	\$5,449,300
2024-25	\$0	\$45,000,000	\$1,000,000	\$46,000,000
Difference w/ Base	-\$4,550,700	\$9,000,000	\$0	\$4,449,300

Explanation: The estimates are higher than those used in preparing AB 43/SB 70 and are based on more recent collections data from the Department of Revenue regarding the economic development surcharge, which are now estimated at \$46.0 million for 2022-23 (\$7.5 million higher than estimated by the Administration). WEDC's sum sufficient GPR operations and programs appropriation is not included as part of this item, which the Committee already reduced to \$0 GPR in 2023-24 and 2024-25 as part of its deliberations on sum sufficient reestimates adopted under Motion 12 (LFB Paper #106).

Change to Base	
SEG	\$19,000,000

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