



DAVE ARMSTRONG

STATE REPRESENTATIVE • 75TH ASSEMBLY DISTRICT

Testimony on Assembly Bill 627 November 29, 2023

Thank you for the opportunity today to speak on behalf of Assembly Bill 627, which makes a number of changes to Wisconsin's Business Development Tax Credit (BDTC) to reflect changing economic realities.

As you may know, the BDTC, which is administered by the Wisconsin Economic Development Corporation, is a performance-based, refundable income credit designed to encourage business development in this state. Under current law, WEDC awards the BDTC to businesses that increase their net employment in Wisconsin from year to year. However, because of the ongoing workforce shortage, certified businesses have found it difficult to meet their contractual obligations to WEDC and maintain their certification.

AB 627 updates the BDTC by allowing WEDC not only to award credits to businesses that meet the current job creation requirements, but also to businesses that *retain* existing jobs and make capital investments in Wisconsin. As introduced, AB 627 also increases the caps on capital investments eligible for tax benefits. While current law limits eligible investments to 3% for personal property and 5% for real property, AB 627 increases both limits to 10%. The goal here is to further encourage capital investment, particularly as automation becomes increasingly important.

AB 627 also addresses two critical elements of Wisconsin's workforce problem – housing and childcare. Under the bill, businesses may claim tax benefits for up to 15% of their investment in housing for their employees and up to 15% of their investment in childcare for their employees.

Lastly, AB 627 imposes a 90-day deadline for WEDC to approve or deny BDTC certifications. Businesses need and expect timely action.

My office is currently working on an amendment to AB 627 that incorporates some of the feedback I have received from WEDC. I had hoped to have a draft available to share with the committee this morning, but I will continue to work with WEDC and Chairman Macco to have the amendment ready to circulate among the committee in advance of the executive session.

Thank you for your consideration. I am happy to hear your feedback and to answer any questions you may have.



DAN FEYEN

STATE SENATOR

18th Senate District
(608) 266-5300
Sen.Feyen@legis.wi.gov

PO Box 7882, Madison, WI 53707-7882
<http://legis.wisconsin.gov/senate/18/feyen>

To: The Assembly Committee on Ways and Means
From: Sen. Dan Feyen
Re: Assembly Bill 627

Hello Chairman Macco and members of the committee, thank you for taking the time to hear testimony on AB 627.

We all know there are many issues facing Wisconsin's economy. In particular, workforce shortages in almost every profession are making it more and more difficult for Wisconsin businesses to compete.

Wisconsin's Business Development Tax Credit is an incredible tool at our disposal that gives businesses a competitive advantage. This program is designed to spur development, job creation, and employment through performance based tax credits to employers.

Currently, the major focus of the credit is on job creation, requiring businesses to increase net employment in Wisconsin every year for ten years in order to qualify. This sounds great on paper, who doesn't want more jobs? In practice, however; this just doesn't line up with our current economic conditions. Businesses can create all the jobs they want, if they don't have the people to fill the positions, the job is meaningless. Wisconsin needs to continue incentivizing growth, while reframing how we measure success. 'Jobs created' just isn't cutting it anymore.

Instead, AB 627 focuses the BTC on capital investments and job retention. Capital investment leads to long-term growth and productivity improvements. This will encourage businesses to invest in technologies, equipment, and infrastructure that will enhance their overall output and competitiveness. One business's capital investment can also have a ripple effect, benefiting suppliers, service providers, and the local economy. By shifting the focus from job creation to investment, we will be providing more flexibility for businesses in how they choose to grow and improve their operations. The bill also maintains a job retention requirement, to prevent awards from going to businesses that are cutting jobs.

Not only does AB 627 refocus the credit to better align with our economic challenges, but it also increases the award for a capital expenditure to 10%. This will further spur investments in Wisconsin's economy.

Housing and childcare are enormous concerns in Wisconsin, we can't bring more people into the state if they have nowhere to live and nowhere to send their kids while they



DAN FEYEN

STATE SENATOR

18th Senate District
(608) 266-5300
Sen.Feyen@legis.wi.gov

PO Box 7882, Madison, WI 53707-7882
<http://legis.wisconsin.gov/senate/18/feyen>

work. That's why AB 627 offers businesses a tax benefit of up to 15% of their investment in workforce housing or up to 15% of their investment in child care programs for eligible employees. These are incredibly useful tools for businesses as they recruit employees from both in-state and out-of-state.

Lastly, AB 627 speeds the process up, requiring WEDC to either approve or deny BTC certifications within 90 days. Businesses need certainty and this provision ensures they are getting timely results on their applications.

Thank you very much for taking the time to hold a public hearing on this bill.



Testimony of Jennifer Campbell - Chief Legal Officer
Wisconsin Economic Development Corporation
Assembly Committee on Ways and Means
Assembly Bill 627
November 29, 2023

Thank you, Chairman Macco, Vice-Chairman Brooks, and members of the Assembly Committee on Ways and Means for the opportunity to speak today on behalf of the Wisconsin Economic Development Corporation (WEDC) regarding Assembly Bill 627 related to the modernization of the Business Development Tax Credit (BTC). We appreciate the work of our Board members Representative Armstrong and Senator Feyen in introducing the bill and moving this conversation forward.

I am Jennifer Campbell, WEDC's Chief Legal Officer. I am joined today by WEDC's Senior Vice President of Strategic Investment & Evaluation Shelly Braun and Vice President of Business & Community Development Mike Ward.

WEDC administers two tax credits to attract and retain businesses in Wisconsin: the Enterprise Zone Tax Credit and the Business Development Tax Credit. The Enterprise Zone (EZ) tax credit is a refundable tax credit that incentivizes large-scale projects and offers credits for job retention, job creation, job training, capital investment, and investment in Wisconsin supply chain. We currently have 16 EZs, which have a total of nearly \$430 million in tax credits allocated. EZs do not have an annual or program cap on the amount of tax credits which can be awarded and are approved through a passive review process by the Joint Committee on Finance.

The Business Development Tax Credit (BTC) enables WEDC to assist companies locating or expanding in Wisconsin by providing incentives for job creation, capital investment, investments in training, and for locating their corporate headquarters in our state. The BTC is also a refundable tax credit, which means the company receives the tax credit in the form of a cash payment, regardless of its tax liability. To date, WEDC has contracted 278 BTCs, allocating a total of more than \$157 million in tax credits. The BTC statute has an annual allocation and BTCs are approved internally by WEDC according to our policies and procedures.

WEDC has developed a program with specific guidelines to administer the BTC. WEDC will go through an application process with the business, identifying the tax credit amount based on the company's anticipated job creation numbers and capital investment. Under the tax credit contract, the company agrees to create a specific number of jobs and invest a specific amount of money, usually over a three-year period. This is followed by a two-year maintenance period, during which time the company must maintain the number of jobs it created and investments it made.

LOOK FORWARD ➤

Under current law, the company must create at least one job every year to earn tax credits of any category.

In the current business environment, with 2.64 jobs available in Wisconsin for every jobseeker, companies looking to expand are cautious about committing to even modest job creation requirements. This bill would retain the incentives for job creation while allowing companies to qualify for investing in the growth and productivity of their businesses without increasing or reducing their headcount.

For these companies that are intending to invest and grow in our state, but not increase their headcount, current law does not allow them access to tax incentives. Senator Feyen and Representative Armstrong's proposed update decouples the requirement to increase headcount from the ability to earn capital investment tax credits. Given the current and foreseeable tight labor market conditions that our state's businesses are facing, WEDC strongly supports the bill's aim of allowing our state to assist businesses making capital investments that are essential to their growth and competitiveness, while remaining committed to maintaining their existing Wisconsin workforce.

WEDC also supports the effort to encourage businesses to invest in workforce housing and childcare. These investments are critical to our state's ability to attract and retain the workers essential to the economic well-being of our communities and businesses. WEDC has raised some technical questions with Senator Feyen and Representative Armstrong about implementation of the workforce housing and childcare provisions and will continue to work with the authors to make sure we can implement these important incentives.

WEDC has shared our feedback with the authors about some portions of the bill that WEDC believes are not needed at this time or that will require additional revision.

First, WEDC is concerned that the bill proposes to increase the rate at which capital expenditures are incentivized under BTCs. The statute currently enables WEDC to incent capital investment at a rate of 3% for personal property expenditures and 5% for real property expenditures. The bill proposed to increase the rate to 10% for both types of expenditures. Under current law, WEDC is limited in the total dollar amount of BTCs it may allocate in a year. If the rate of incentives is increased, the result could mean the yearly allocation would be used up more quickly and spread across fewer businesses, likely resulting in WEDC being less able to support as many small businesses and projects as we do now.

Additionally, based on WEDC's recent experience, we have not seen any demand for or any other evidence warranting this increase. The current percentages have not prevented WEDC from successfully offering companies competitive incentives. Compared to other states' incentives for capital investment, Wisconsin's rate and tax credit structure are very competitive. Other states that offer capital investment tax credits typically offer rates at or below those of the BTC. Other states also curtail the benefit of the tax credit in ways that Wisconsin has not in that their incentives are often non-refundable, capped to 50% of the business' tax liability, tied very closely

to job creation, and/or targeted very narrowly to certain industries. In situations where WEDC does need to make more aggressive offers for large-scale projects, we have the ability to use our Enterprise Zone tax credit which offers a 10% capital investment rate.

Second, the proposed effective date for implementation of the changes under the bill is January 1, 2023 – 11 months ago. We requested that the effective date be in the future so that WEDC can appropriately update its underwriting and contracting requirements.

Finally, we have requested that the bill amendment fix statutory language in the EZ to address the issue of tracking employees who are performing services within the zone but may be working outside the zone at times. This clarification would better reflect current workplace practices and reduce potentially burdensome reporting requirements for businesses.

These changes will make our state's incentive programs more understandable and usable by businesses. The modernization proposed by decoupling the capital investment incentive from the requirement to create new jobs will meet Wisconsin businesses where they are in facing the current workforce reality. We believe that the bill – with the modifications I've discussed – will help WEDC effectively support companies growing in or coming to Wisconsin.

Thank you again for the opportunity to be here today, and to Representative Armstrong and Senator Feyen for moving this forward. We welcome any questions the committee may have.



Testimony on Assembly Bill 627 before the
Assembly COMMITTEE ON Ways and Means
November 29, 2023

Wisconsin Economic Development Association

Good morning, Chairman Macco and members of the committee. My name is Michael Welsh, and I serve as the Legislative Affairs Director for the Wisconsin Economic Development Association (WEDA). Thank you for the opportunity to testify today in favor of Assembly Bill 627. This important legislation will align the Business Development Tax Credit (BTC) with today's economic realities, making it a more flexible and effective business attraction and retention tool for the state.

I would like to thank Chairman Macco for holding a public hearing on AB 627, as well as Rep. Armstrong and Sen. Feyen for introducing this legislation. WEDA certainly appreciates their efforts to strengthen Wisconsin's economic development toolbox.

By way of background, WEDA is a statewide association representing over 400 public and private sector economic development professionals. We are dedicated to advancing economic prosperity in Wisconsin and providing our members with the necessary tools to encourage business expansion, promote private investment, and attract much-needed talent to the state.

The BTC, which is administered by the Wisconsin Economic Development Corporation (WEDC), is a performance-based, refundable income tax credit designed to encourage business development in Wisconsin. While the tax credit has been used successfully to attract new businesses to the state, the program has lost considerable value due to the state's changing economic environment.

Under current law, BTC awards are based on job creation, which is extremely challenging amid a growing and likely long-term workforce shortage. As you know, one of the biggest challenges currently facing Wisconsin employers is their inability to find enough workers, and they are increasingly turning to automation and other substantial capital expenditures to bridge the labor gap. In fact, BTC recipients have created less than 50 percent of the planned jobs specified in tax credit agreements with WEDC.

The economy is constantly changing, and it is important for economic development policies to be regularly reviewed and updated. Assembly Bill 627 will help ensure the BTC remains relevant by changing it from a job creation-focused program to a capital expenditure-focused program. The bill will steer primary eligibility for BTC awards away from job creation and equally emphasize capital investment. By modernizing eligibility requirements and increasing tax awards for capital expenditures, AB 627 will make the BTC more flexible and competitive. The bill also recognizes the importance of business decision timelines by streamlining the tax credit approval process at WEDC.

WEDA is also excited about the provisions in the bill that create additional BTC tax awards for businesses that invest in workforce housing and childcare for their employees. The lack of affordable

housing and childcare access challenges are two key factors exacerbating Wisconsin's labor crunch. AB 627 will help address these two major problems threatening productivity and growth across the state.

In short, AB 627 will align the BTC with the current economic climate; boost its effectiveness as a business incentive; allow WEDC to pursue key projects more aggressively; and provide Wisconsin with a competitive advantage. As such, I would urge your support for AB 627 and ask that you pass it out of committee as soon as possible.

Thank you for your consideration.

THE LACK OF AFFORDABLE AND ACCESSIBLE CHILDCARE IS HURTING BUSINESSES AND THE ECONOMY

\$4.2 to \$6.4 billion

is the estimated long-term economic impact of Wisconsin's childcare crisis.¹



75%

of Wisconsin employers say that the state economy is impacted by a parent's ability to find affordable, high-quality childcare.¹

FAMILIES CANNOT AFFORD THE TRUE COST OF CARE, DRIVING DOWN REVENUE FOR PROVIDERS



Wisconsin families with **ONE** infant are spending

20%

of their annual income on childcare.¹

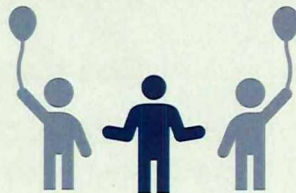


The typical family with an infant and a four-year-old are spending

33%

of their annual income on childcare.¹

There are more than **THREE** children under age 5 for every **ONE** licensed childcare slot.¹



of Wisconsin residents live in childcare deserts.

In rural Wisconsin, this number is nearly **80%**.¹

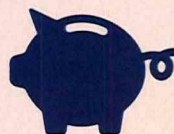
80%

of Wisconsin's early childhood educators have some form of higher education.¹



\$11 to \$13

an hour is the average wage of an early childhood educator.¹



Licensed Family Provider	Average Recommended Salary	\$37,728
	Average Current Salary ²	\$24,272

Licensed Group Center	Average Recommended Salary	\$44,582
	Average Current Salary ²	\$29,387

■ Average Recommended Salary
■ Average Current Salary²

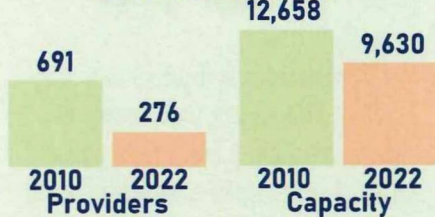
¹<https://www.raisingwisconsin.org/economic-impact/>

²<https://dcf.wisconsin.gov/files/wishares/ccdbg/2022-cmarket-survey-results-report.pdf>

CHILD CARE PROVIDERS ARE STRUGGLING TO MEET DEMAND, AS THEIR WORKFORCE IS UNDERPAID

Since 2010, the number of providers has decreased **60%** and capacity has decreased **24%** in

Central Wisconsin.³



In 2022, in the 14-county North Wisconsin area, **77%** of providers reported higher rates of staff turnover or shortages.

25% of licensed capacity is unutilized in West-Central Wisconsin due to lack of staff and closed classrooms.⁴

In rural Northern Wisconsin:

77% of providers have a waiting list

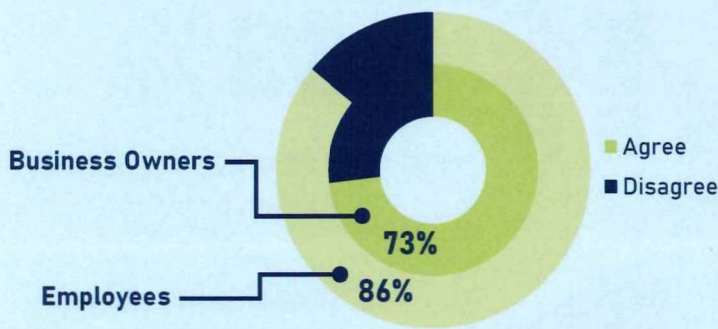
18% of providers are facing closure due to low staffing⁵

15% of licensed capacity is unutilized

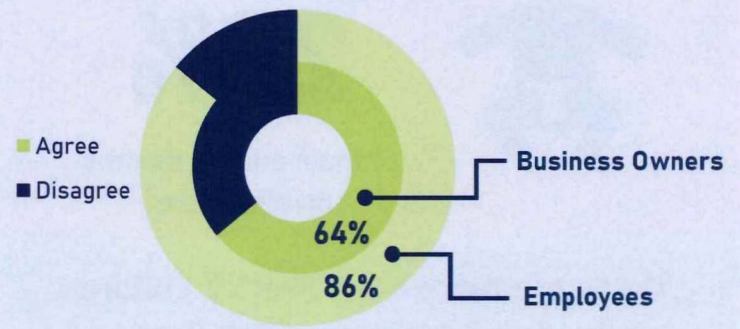
CHILD CARE IS A BUSINESS ISSUE

Approximately **4 out of 5** Wisconsin employers say the state economy is impacted by parent's access to affordable, high-quality childcare.

Without access to affordable childcare, Wisconsin businesses will face workforce/labor shortages now and in the future.⁶



It's important for Wisconsin businesses to support childcare for their employees.⁶



74%

of parents have missed work due to lack of childcare, according to a 2020 survey of Dodge and Jefferson County.⁸

65%

of employers believe providing employees with childcare resources is a strategy that should be considered to address labor shortages.⁶

22%

of Eau Claire and Chippewa County employers had an employee leave their job due to a lack of childcare, according to a 2022 survey.⁷

THE WISCONSIN ECONOMIC DEVELOPMENT INSTITUTE

OUR MISSION

The Wisconsin Economic Development Institute, Inc. (WEDI) is a non-profit, non-partisan foundation established under the Wisconsin Economic Development Association (WEDA) to conduct research and education designed to increase the effectiveness of economic development efforts.

OUR VISION

A higher quality of life and increased access to wealth and opportunity for Wisconsin citizens through economic development.

³<https://childcaring.org/>

⁴<https://www.childcarepartnership.org/tools-data/documents/child-care-capacity-survey-results-w-summary-11-2022.pdf>

⁵<https://www.wisconsinchild.org/>

⁶<https://dcf.wisconsin.gov/files/childcare/pdf/pdg/wi-employer-2021-research-snapshot.pdf>

⁷<https://www.uwgcw.org/>

⁸<https://watertownhealthfoundation.com/index.html>

WAUKESHA COUNTY BUSINESS ALLIANCE

ADVOCATE DEVELOP ENGAGE GROW

To: Assembly Ways and Means Committee

From: Suzanne Kelley, President & CEO, Waukesha County Business Alliance

Date: November 29, 2023

Re: Support for Business Development Tax Credit Modernization Bill (AB 627)

As regional chamber of commerce, the Waukesha County Business Alliance is committed to creating a strong business climate. We work closely with our 1,200 member companies, representing over 75,000 employees in Southeastern Wisconsin. The Alliance supports the Business Development Tax Credit (BTC) Modernization Bill, which would make needed updates to Wisconsin's business tax credit program. The bill would make the following changes to the current program:

- A business would be eligible for BTC awards if they create jobs **or** retain existing jobs **and** make a capital investment in their business located in Wisconsin. This provision would steer primary eligibility for BTC awards away from job creation and instead emphasize capital expenditure and job retention.
- BTC awards for capital expenditures would be increased to 10 percent of an investment by a business in personal property and real property in Wisconsin. Under current law, capital expenditure related BTC awards are limited to 3 percent and 5 percent.
- BTC tax benefits would be awarded to businesses that invest in workforce housing for their employees. Under the bill, businesses would be able to claim tax benefits of up to 15 percent of their investment in workforce housing for eligible employees.
- BTC tax benefits would be awarded to businesses that invest in childcare benefits for their employees. Under the bill, businesses would be able to claim tax benefits of up to 15 percent of their investment in childcare programs for eligible employees.
- WEDC must approve or deny BTC certifications within 90 days after receiving an application for certification from a business.

We know that employers across the state face an ongoing shortage of workers, which will only continue to worsen with the state's demographics. Far too often, we hear from Waukesha County manufacturers that they are declining orders, putting expansion plans on hold or choosing to expand in other states because of workforce shortages. We know that workforce development is the number one issue facing Waukesha County, the Milwaukee 7 region and our state. We meet with our member companies often and the themes are consistent – workforce is the top issue for their business and demographics are working against them.

Many industries, especially manufacturing, continue to use advanced technology to improve productivity and support growth. Our members are retaining existing jobs, reskilling employees, adding jobs when they can find candidates, and investing in technology. These are the building blocks for growth.

When speaking with our Manufacturing Executive Council to get feedback, our manufacturing CEOs enthusiastically supported the proposal. Several shared past examples in which they have struggled to achieve

WAUKESHA COUNTY BUSINESS ALLIANCE

ADVOCATE

DEVELOP

ENGAGE

GROW

job growth numbers currently required to achieve business tax credits. Their businesses are growing, but the persistent hiring challenges have made it nearly impossible to fill open positions. Here is one of those comments:

- *Hydro-Thermal Corporation in Waukesha has made two capital investments in the last two years. In 2022, we purchased an automated horizontal machining cell with twenty automated pallets and tool storage. Through automation and efficiencies, we have grown the throughput by 175% in this cell, without adding jobs, which is challenging in the current hiring environment. Further, we have purchased significant tooling from local vendors. In 2023, we purchased a vertical storage unit that reduced our footprint of inventory by 70% and applied the equivalent of 1.5 people from material handling to other important and higher paying supply chain jobs. The bottom line is we are now capable to continue our compounded growth and export capacity by +6% for the ninth consecutive year. A tax credit for this investment would have made the decision even faster and further enhancements necessary to compete in the global economy.*

Wisconsin is one of the top two manufacturing states in the country. To continue as a manufacturing powerhouse, we must modernize our business development tax credits to reflect the way our manufacturing industry is going.

Please support the Business Development Tax Credit Modernization Bill and help our Wisconsin companies continue to grow.



Property Taxpayers United
for Fairness & Reform
Since 1985

TO: Assembly Committee on Ways and Means
FROM: Paul Rozeski, Director of Government Affairs & Member Relations,
WPT
Date: November 29, 2023
RE: Assembly Bill 627

Good afternoon, Chairman Macco, Vice Chairman Brooks, and members of the committee. Thank you for allowing me to submit testimony in favor of Assembly Bill 627. Thank you, as well, to Representative Armstrong for authoring this proposal.

Wisconsin Property Taxpayers, Inc. has small business members throughout the state, and for well over a decade, employers have experienced a competitive labor market. As many of you know, since our economy was disrupted by the Covid and the decisions surrounding it, the competition for hiring employees has drastically increased.

One seasonal construction company I spoke to shared that the lengths the company is going to for employee retention. It has evolved from firing up the grill occasionally at the shop to pulling all its work-crews out of the field once a month for a half-day employee cookout.

Businesses of every size have been understaffed, and that trend is only going to slowly improve. Employment numbers from the Department of Workforce Development show that even though Wisconsin's seasonally adjusted Workforce Participation Rate has gone up 1.1%, from 64.7% in September 2022 to 65.8% in September 2023, most employers would still gladly take on additional help and cannot find it.

The new benchmark for employers in a more unsteady economy is to maintain employment numbers and improve the processes and operations to find efficiencies. That comes from investments in infrastructure, equipment, and facilities. The changes that AB 627 would make align the current tax credits with the new focus and priorities of the Wisconsin businesses it is designed to benefit.

Paul Rozeski
Government & Member Relations Director
Office 608-255-7473

p.rozeski@wptonline.org

P.O. Box 1493
Madison, WI 53701-1493
Office 608-255-7473

To: Members of the Assembly Committee on Ways and Means

From: Marco Galbiati, Chief Executive Officer

Date: November 29, 2023

Re: Support for Assembly Bill 627 (AB 627) relating to various changes to the Business Development Tax Credit

Fincantieri Marine Group (FMG) supports Assembly Bill 627 (AB 627) that proposes to make certain improvements to the Business Development Tax Credit (BTC). The program was created in 2015 Wisconsin Act 55 to help incentivize new and expanding businesses in Wisconsin with refundable tax credits for meeting certain criteria related to job creation, capital investment, training, and corporate headquarters location or retention.

FMG consists of three Wisconsin shipyards: Fincantieri Marinette Marine in Marinette, Fincantieri Bay Shipbuilding in Sturgeon Bay, and Fincantieri Ace Marine in Green Bay. Fincantieri recently completed a major \$300 million capital expansion program thanks in part to our strong partnership with the state of Wisconsin. Fincantieri has utilized the BTC as a WEDC certified business, however, we believe there is also a need to modernize the current program in order to take into account present day, post-COVID economic and workforce challenges that many employers face.

Under the bill, eligibility for the refundable tax credit would require a business to: 1) create new jobs or retain existing jobs and make a capital investment in the business; and 2) not decrease net employment in the state below the net employment during the year before the business was certified to receive tax benefits. Additionally, the award limitation amounts are increased 1) Up to 10 percent of personal and up to 10 percent of real property investment (currently 3 percent and 5 percent respectively) in capital projects of at least \$1 million or if less than \$1 million, investment is equal to at least \$10,000 per eligible employee employed on the project; and 2) Up to 15 percent of the amount of investment in workforce housing and up to 15 percent of the investment in the establishment of an employee child care program.

Fincantieri supports the proposed changes under the bill as positively improving the conditions necessary to foster economic growth in Wisconsin. We are committed to our long term presence in the state and the proposed changes to the BTC in AB 627 provide support to address challenges in order for FMG to remain competitive in the shipbuilding industry - attracting and retaining a skilled workforce and ensuring we have modern facilities. In addition, the housing and childcare provisions under the bill directly address two of the most pressing needs we have with workforce recruitment and retention, especially when the largest of our three shipyards in Marinette is located in a designated "Economically Distressed" area of the state where these recruitment and retention challenges are often multiplied.

Taken as a whole, the changes proposed in AB 627 can help Fincantieri achieve our growth potential and the related increase in our Wisconsin workforce and community economic activity that come along with it.

Thank you in advance for your consideration and support of this legislation.

FINCANTIERI MARINE GROUP
2465 Marina Circle, FL 3
Green Bay, Wisconsin 54304
T. 715-735-9341