



Legislative Fiscal Bureau

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TO: Representative Katrina Shankland
Room 304 West, State Capitol

FROM: Sean Moran and Rory Tikalsky

SUBJECT: Designation of a Proposed EITM Zone by WEDC and Permitting Exemptions

At your request, we are providing information regarding August 2017 Special Session Assembly Bill 1, as passed by the Assembly (the bill). Specifically, you requested additional information regarding the Wisconsin Economic Development Corporation's (WEDC's) ability to designate an electronic and information technology manufacturing (EITM) zone, and the eligibility for permitting exemptions available in that zone.

Designation of the Zone

Under the bill, WEDC could designate not more than one EITM zone that could remain in effect for no more than 15 years. In determining whether to designate an area as a zone, WEDC would have to consider: (a) indicators of the area's economic need, which may include data regarding household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, the rate of business development, and the existing resources available to the area; and (b) the effect of designation on other initiatives and programs to promote economic and community development in the area, including job retention, job creation, job training, and creating high-paying jobs. WEDC would have to, to the extent possible, give preference to the greatest economic need.

There would not be any geographic requirement for designating an area as an EITM zone. According to WEDC and the administration, the EITM zone tax credit program is modeled on the existing enterprise zone tax credit program. It has been WEDC's practice to designate enterprise zones based on economic development projects undertaken by specific businesses, rather than to designate a geographic area as an enterprise zone encompassing multiple companies within that area. WEDC states that certain businesses have been awarded enterprise zone tax credits for economic development projects in non-contiguous areas throughout the state.

If WEDC were to designate an EITM zone consistent with how it designates enterprise zones, it is possible that an EITM zone could consist of one business in one location in the state, or could consist of one business with operations in multiple, non-contiguous areas of the state. However, as noted, there would not be any statutory requirement for designating a geographic area as an EITM zone.

Permit Exemptions

Under the bill, a new manufacturing facility would be eligible for exemption from a number of permits related to wetlands and navigable waterways for activities in an EITM zone related to the construction, access, or operation of the facility. Activities eligible for exemption would include: (a) discharging dredged or fill material into a wetland; (b) the deposit of material or placement of a structure upon the bed of any navigable stream; (c) construction, placement, or maintenance of bridges or culverts in, on, or over navigable streams; (d) construction, dredging, or enlargement of an artificial water body that connects with an existing navigable stream, or that is within 500 feet of the ordinary high-water mark of an existing navigable stream; (e) grading or removal of topsoil from the bank of a navigable stream where the area exposed exceeds 10,000 square feet; and (f) straightening or changing the course of navigable streams. Permitting exemptions would not be contingent on a person being certified to claim tax credits the bill would create. However, it should be noted such exemptions from permitting would be limited to the 15-year life of the EITM zone.

The WEDC Secretary/Chief Executive Officer stated in testimony to the Joint Committee on Finance that WEDC intends to designate an EITM zone that is coterminous with the geographic boundaries of the property being purchased for a manufacturing campus by the proposed recipient of EITM zone tax credits (Foxconn). However, if WEDC were to designate an EITM zone structured around one or more geographic areas, rather than specific locations of a certified EITM zone tax credit claimant, it is possible that businesses other than the business receiving EITM zone credits from WEDC could be exempted from the permits described previously. Such businesses would be required to be a new manufacturing facility located in the EITM zone.

We hope this information is helpful. Please let us know if you have any further questions.

SM/RT/sas