



Legislative Fiscal Bureau

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July 13, 2016

TO: Senator Lena Taylor
Room 19 South, State Capitol

FROM: Jere Bauer, John Gentry, Sean Moran

SUBJECT: State Financial Incentives for Employers to Hire Ex-Offenders

At your request, this memorandum provides information related to state programs that provide a financial incentive for employers to hire ex-offenders. The programs identified may include ex-offenders as one of the possible target populations of the program or may target exclusively to ex-offenders. For purposes of this memorandum, ex-offenders are individuals with a prior criminal conviction who are no longer under the supervision and jurisdiction of the Department of Corrections. The memorandum does not address programs which may be operated independently by private, non-profit organizations, community organizations, or by non-state governmental organizations.

Transform Milwaukee and Transitional Jobs Programs

The Transform Milwaukee jobs program provides employers in the City of Milwaukee with financial subsidies if they hire eligible low-income individuals with annual household incomes below 150% of the federal poverty level. Pursuant to the policies adopted by the Department of Children and Families (DCF), a participant must generally reside within the boundaries of the program's service area (the area of Milwaukee encompassed by West Silver Spring Drive, West Mitchell Street, North Sherman Boulevard, and Highway 43) and be a parent who is an ex-offender, who has a child support order, or who has a reunification plan.

Under the Transform Milwaukee jobs program, DCF may reimburse an employer a weekly wage subsidy less than or equal to the minimum wage for 20 hours to up to a maximum of 40 hours worked per week. DCF may also reimburse certain expenses that are attributable to employing a participant, such as federal social security and Medicare taxes, unemployment taxes, and worker's compensation insurance premiums.

Transitional Jobs is a substantially similar jobs program that is anticipated to be implemented outside of Milwaukee County in 2016-17.

A total of 769 participants were placed in Transform Milwaukee jobs in May, 2016. From the amounts received under the federal Temporary Assistance for Needy Families block grant, \$6,000,000 is budgeted in fiscal year 2015-16 and \$7,000,000 is budgeted in fiscal year 2016-17 for the Transform

Milwaukee and Transitional jobs programs. These amounts are not limited to ex-offenders and are available to all eligible persons.

Nonrefundable Business Tax Credits

Development Zone Credit. The development zone tax credit program provides nonrefundable credits that can be claimed by businesses located in areas designated by the Wisconsin Economic Development Corporation (WEDC) as development opportunity zones for certain expenses related to environmental remediation, job creation, job retention, or capital expenditures. Currently, areas in the City of Kenosha, the City of Janesville, and the City of Beloit are designated as development opportunity zones. The credit can be claimed against the individual income tax, including the alternative minimum tax, the corporate income/franchise tax, and the insurance premiums tax by businesses certified by WEDC as eligible to receive the credit. It is estimated that the development zone credits will reduce state tax revenues by \$2.5 million in 2015-16 and by \$2.3 million in 2016-17.

For the job creation component of the credit, an additional \$2,000 credit (\$8,000 credit total) per job created may be available to businesses that create a full-time job in a zone that is filled by a member of a targeted group. At least one-third of credits claimed by businesses based on creating full-time jobs generally must be based on creating jobs that are filled by members of a targeted group. Members of a targeted group include economically disadvantaged ex-offenders, public assistance recipients, and other economically disadvantaged persons. WEDC states that it does not collect information as to what portion of the credit is associated with hiring members of a targeted group, nor does it collect data regarding what portion thereof is associated with hiring economically disadvantaged ex-offenders.

Economic Development Credit. The economic development tax credit program provides nonrefundable credits that can be claimed for a portion of a business's eligible expenses related to job creation, capital investment, employee training, or a corporate headquarters location or retention project. Businesses must be certified by WEDC to receive the credit, which can be claimed against the individual income tax, including the alternative minimum tax, the corporate income/franchise tax, and the insurance premiums tax. It is estimated that the economic development zone credits will reduce state tax revenues by \$18.3 million in 2015-16 and \$16.7 million in 2016-17. Pursuant to 2015 Wisconsin Act 55, economic development credits may not be awarded unless the credits were authorized by WEDC prior to December 31, 2015. The fiscal estimate reflects the estimated costs of credits that were authorized prior to the sunset date.

WEDC may award additional credits to a business for a project if WEDC determines that the business conducts at least one eligible activity that benefits, creates, retains, or significantly upgrades full-time jobs for, that trains, or that re-educates members of a targeted group, as defined above. WEDC does not currently collect information as to what portion of the credit is associated with benefiting, training, hiring, or retaining members of a targeted group nor does it collect data regarding what portion thereof is associated with hiring economically disadvantaged ex-offenders.

JR/JG/SM/sas