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STATE SENATOR

Joint Committee on Finance,
August 22, 2017
Special Session Senate Bill 1
Senator David Craig, 28th Senate District

Co-Chairs Darling and Nygren and Joint Committee on Finance Members:

Thank you for considering my testimony on behalf of my constituents in the 28th Senate District regarding Special Session Senate Bill 1 (SS SB1) -- Foxconn Technology Group's (Foxconn) proposal to construct a state-of-the-art, liquid crystal display (LCD) screen manufacturing facility in Southeastern Wisconsin.

As you are aware, Foxconn has committed to creating up to 13,000 jobs and investing \$10 billion in Wisconsin over the next several years. To encourage Foxconn to locate in Wisconsin and build one of the largest, green-field manufacturing facilities in U.S. history and the largest single job-creation project in Wisconsin history, Governor Walker provided draft legislation, SS SB1, which would provide certain financial incentives as well as expedited environmental permitting review to Foxconn. It is important to emphasize that the financial incentives offered by the State in the legislation would be directly tied to meeting certain benchmarks and awarded based on actual results.

The potential opportunities and impact presented to Wisconsin by the Foxconn project are significant and cannot be emphasized enough:

- 13,000 direct jobs
- 22,000 indirect and induced jobs in Wisconsin
- 10,000 construction jobs to build the project campus
- \$10 billion in private investment
- \$4.26 billion in *annual* supplier purchases
- \$7 billion in *annual* positive economic impact on Wisconsin
- \$53,875 average annual job salary, plus benefits

As demonstrated by the figures above, the Foxconn project would be transformational to Wisconsin and undoubtedly have a significant positive economic impact on the 28th Senate District as well as the State as a whole. Racine County especially will see tremendous, unprecedented economic benefits stemming from this once-in-lifetime financial investment in our state and our workforce. The resulting economic ripple effects on Racine and Milwaukee Counties and surrounding communities will have a positive impact on area residents and existing businesses, like those in the industrial parks of Franklin, Greendale, Waterford and beyond. The financial impact that Foxconn will bring to the region may be somewhat immeasurable and difficult to

quantify with exact certainty. However, even the most conservative projections and analysis from other business ventures – similar in concept but not in scope – forecast that Wisconsin will see an economic benefit unlike anything seen in our state’s history. This bill will move us closer to making Foxconn and its related businesses a new cornerstone of our state’s manufacturing sector and overall economy.

As with any state-sponsored corporate incentive package, there is the risk of running afoul of basic capitalism and free-market principles. That is why these incentives should be used sparingly. However, government incentives have now become an economic reality as countries, states and even cities compete for jobs and investment capital. It is clear that this project brings with it the most merited investment by state government than any other project. Further, due consideration should be given to the reality that though this incentive package targets this new economic zone, the size of Foxconn’s investment will float all economic boats in Wisconsin. The challenge thus becomes how to create an incentive package that maximizes the jobs and capital investment desired while minimizing the risk of the State’s investment. To that end, it is worth quoting the non-partisan Legislative Fiscal Bureau’s comments with respect to the Foxconn project and the proposed incentive package:

“[T]he capital expenditure tax credit and sales tax exemption would have a value of \$1.5B, but would induce private investment of \$10B from Foxconn alone, for a leverage ratio of \$6.70 of private investment for each \$1.00 of public outlay. Likewise the 17% payroll credit implies a leverage ratio of 5.9 to 1, just considering Foxconn’s payroll. The leverage ratios are even higher if the indirect and induced jobs associate with the project are considered. ***Most state expenditures do not result in private investments of this nature. The project would also provide great employment opportunities for the state’s present and future workforce, and add a new sector to the state’s manufacturing economy.***” (Emphasis added).

As with the economic incentives, the legislation’s provisions with respect to expediting state environmental permits and review processes must balance the desire of winning the Foxconn billion dollar investment with any proposed changes to long-standing environmental protection standards. While I believe these new standards should apply state wide and not just in this region, it is clear this bill does not sacrifice the protection of Wisconsin’s natural resources – making no changes to state or federal environmental standards.

Further, I would be remiss if I did not emphasize that Wisconsin likely would not be in a position to accommodate a major international employer had Governor Walker and the Republican Legislature not acted to improve the jobs climate in Wisconsin by passing reforms like Right-to-Work, sales, income and property tax relief and regulatory streamlining.

In conclusion, again, while I am generally opposed to targeted tax incentives and refundable tax credits for private businesses, the proposed Foxconn incentives must be viewed within the totality of SS SB1’s overall economic impact and the transformational benefits to our state and our workforce. Therefore, after having conducted a thorough analysis of the bill, reviewing public and constituent comments as well as the opportunity to speak in detail with the Governor and his top officials leading this effort, I strongly endorse this once-in-a-century opportunity and fully support passage of this bill. On behalf of myself and my constituents, I wish to welcome Foxconn to Wisconsin and am excited to help bring this transformational project to fruition.

Thank you for hearing this bill today as we move Racine, southeast Wisconsin, and our entire state *FORWARD* into this new, cutting-edge era of manufacturing.