Biggest Missed Election Story: Outsourcing Loopholes Never Fixed

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Big Corporate For Profit Media Missed "Bait and Switch", Outsourcing Safeguards Were Never Implemented as Walker Administration Announced But Did not Implement WEDC Outsourcing Prohibitions.

STATEWIDE - In July the outsourcing issue dominated the Governor's race, generating wall-to-wall news coverage, and some excellent reporting on the use of public money to support outsourcing companies by Governor Walker's jobs agency, the Wisconsin Economic Development Corporation (WEDC).

But when both candidates seemed to take strong positions against public job creation dollars going to companies engaged in outsourcing Wisconsin jobs, and WEDC seemed to enact safeguards, the issue vanished from the Governor's race. This disappearance was so complete that it did not even come up in the two debates.

An analysis of the public record by Citizen Action of Wisconsin reveals that the strong protections announced in the media against providing state job creation grants, loans, and tax credits to firms engaged in outsourcing jobs were never implemented.

In addition, even the safeguards that were announced in the media and not implemented do not effectively prevent huge state tax breaks from going to outsourcing companies. Shockingly, Wisconsin tax policies enacted by Governor Walker and the Legislature actually could allow companies to claim large tax credits for some of the costs of outsourcing Wisconsin jobs.

"It is stunning as we witness an eleventh hour media frenzy over pseudo stories that have no impact public policy that the media is missing one of the biggest and most impactful stories of this election," said Robert Kraig, Executive Director of Citizen Action of Wisconsin. "It is scandalous that voters are in danger of going to the polls knowing all about various fake campaign stories and no knowledge that state policy still allows their tax money to go to corporations engaged in outsourcing their jobs, and even could allow corporations to write off some of the expense of outsourcing."

Walker Administration Announced But Did not Implement WEDC Outsourcing Prohibitions

In July, as a result of an intense debate about which candidate would take effective action to deter companies receiving state job creation grants, loans, and tax credits from outsourcing jobs, the Walker Administration announced in the media a number of changes in state policy designed to prevent companies which receive state aid from outsourcing Wisconsin jobs. It was announced and reported in the media that a series of reforms, championed by Representative Peter Barca (D-Kenosha), were discussed at the July WEDC meeting and would be implemented at the next meeting.

A Citizen Action of Wisconsin analysis of WEDC Board Minutes and publicly available records finds no evidence that strong policies announced to the media were ever put in place. Instead, the policies implemented were so watered down that is still perfectly legal to provide state funding to corporations engaged in outsourcing.

There were only two changes Citizen Action could locate in the public records. First, there is now 30 days notice required for layoffs by companies receiving WEDC grants, loans, and tax credits. Second, new WEDC contracts will require that state funds are not directly spent on outsourcing. Given that WEDC funds large corporation such as Ashley Furniture have every ability to use non-state resources to outsource, it seems to be still perfectly legal for companies receiving state dollars to outsource jobs, and to cancel out the jobs public money is paying them to create.

Other much stronger measures reported in the media seem never to have been implemented.

One measure prominently reported as having been adopted by WEDC would have suspended funding for outsourcing companies until an equal number of jobs in Wisconsin are created. As WKOW TV 27 reported: "companies who accept awards, then later reduce their net number of jobs in Wisconsin, cannot get any more actual money until they get their workforce back to where it was when the award was originally given out". However, This provision is not at all mentioned in WEDC board's minutes or committee minutes, WEDC's website, or in any subsequent board agendas. At the request of Citizen Action of Wisconsin, legislative staff made numerous requests to clarify the status of this policy with WEDC's counsel, and to provide in writing the actual policies adopted by WEDC, but received no response.

The Milwaukee Journal Sentinel reported on July 29th that: "Gov. Scott Walker on Monday backed a proposal by Assembly Minority Leader Peter Barca to block state money and incentives from going to companies that shift jobs overseas." The article goes onto state that the policy was discussed at the July WEDC board meeting and would be passed at the next meeting. Citizen Action's review of public records, including WEDC minutes, finds no evidence this broad policy against giving state dollars to companies engaged in outsourcing was ever enacted. WEDC counsel has not responded to legislative requests for information on this policy.

Manufacturer's tax Credit an Even Bigger Outsourcing Loophole

Although the media has focused on WEDC's connection to outsourcing, Governor Walker's signature tax policy, the Manufacturer's and Agricultural Tax Credit not only allows outsourcing companies to get massive tax credits, but even could allow them to write off some of the cost of outsourcing on their state taxes. The size of the tax credit is greater than WEDC funding for manufacturing. According to the Wisconsin Budget Project, it will add up to $874 million in tax credits over ten years.

The Manufacturer's tax credit represents a larger potential public support for outsourcing than WEDC grants, loans, and tax credits. The credit is available to those with manufacturing or agricultural property, but is not based on the size of the workforce. Because Wisconsin's corporate income tax is based on the sales a company has within the state, a company can still lay off or outsource large segments of its workforce and continue to be eligible for a sizable tax credit so long as it owns even one piece of property for manufacturing purposes. Recipients of this credit have no additional requirement to report outsourcing, and are not deemed ineligible for the tax credit if they outsource.

Although this massive tax credit is a major threat to Wisconsin workers, there has been no discussion during the Governor's race about attaching job creation requirements to the credit or withdrawing it from corporations that outsource Wisconsin jobs.

"The Walker Administration's bait and switch on outsourcing is the biggest unreported story of this election," said Robert Kraig, executive director of Citizen Action of Wisconsin. "Even the best informed voters are being left entirely unaware that it is still perfectly legal for a company like Ashley Furniture to outsource large segments of its Wisconsin workforce and claim substantial job creation grants, loans, and tax credits while doing so. It could even be legal for them to write off some of the cost of outsourcing."

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