

Chicago on Foxconn "Thank you, Wisconsin, for the Beautiful Gift"

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A recent Chicago Sun Times editorial thanked Wisconsin for taking all the risks of the Foxconn deal while Illinois reaps the benefits. How will the deal help Illinois? What risks do Wisconsin citizens face? Read on.

CHICAGO - "Friends in the Wisconsin Legislature, we beg you: Sign that bad deal with Foxconn," recently wrote the Chicago Sun Times editorial board. "It's the neighborly thing to do."

The Wisconsin Assembly obliged the Chicago newspaper and recently voted 50-39 to approve the Governor's deal with the Taiwanese company, Foxconn.

But lawmakers were not voting on the deal itself. Contract negotiations are presumably underway. Legislators who voted on the deal did not see the contract, they do not know the details under negotiation, nor will they approve the final negotiated contract.

In essence, they gave the Governor a blank check. For his part, the Governor assigned his

troubled economic development agency, the Wisconsin Economic Development Corporation (WEDC), the task of negotiating a good deal for the state.

For the most part, the bill passed by the Assembly reflected the Governor's original request. Some job training money was added. Language clarified that locals could use a sales tax to pay for needed infrastructure. Furthermore, the state could in essence "co-sign" part of the loan locals took out to pay for infrastructure.

Answering the big question – how do we ensure the state gets promised jobs – was left murky.

In its analysis of the Assembly version of the Foxconn bill, the Legislative Fiscal Bureau noted the bill "would require WEDC, to the extent possible, attempt to include terms in any agreement negotiated between it and [Foxconn to] encourage the business's hiring of Wisconsin residents."

As the Chicago Sun Times editorial writers gleefully reviewed the benefits to Illinois, they also summarized the risk taken by Wisconsin Assembly members who voted in favor of the bill.

"Best we can tell, it's a crap shoot as to whether luring the giant electronics company to Wisconsin would work out well for you, given the billions of dollars in tax breaks your governor has promised, but it would be terrific for Illinois. It would cost our state nothing, yet up to half of the new jobs could go to our residents, while O'Hare Airport would get the new international travel business.

"The best thing that ever happened to Illinois might be losing Foxconn to you, Wisconsin. Much appreciated.

"...Walker downplayed the \$3 billion worth of tax incentives that the Wisconsin Legislature still must approve, and an independent analysis says it would take at least 25 years for Wisconsin taxpayers to break even on the deal. The break-even point would come even later, according to the analysis by the Legislative Fiscal Bureau, if Foxconn employed closer to only 3,000 — which could happen — and 40 percent or more of those jobs went to people who live out of state. In Illinois, that is."

"Under that scenario, an analyst for the Bureau told Reuters, the break-even point would be so far in the future that it's "silly to talk about."

I heard much discussion among local residents about the "break-even point" of the plan – the point at which the state would recoup its "return on investment". These numbers are fuzzy at best.

A break-even number makes many assumptions, including the number of jobs created. The administration claims 13,000 jobs although Foxconn publically said 3,000 jobs. The administration uses average wages of \$53,874 but the bill voted out of the Assembly cites \$30,000. Most investment analyses discount future dollars while the administration's analysis, reviewed by the LFB, uses all amounts in current dollars.

The Bureau reminds lawmakers "any cash-flow analysis that covers a period of nearly 30 years" is "highly speculative". The Bureau also mentions other provisions hidden in the Governor's bill. A Brookfield financial services company is given an award, and other enterprise zones are created. These new commitments, passed by the Assembly, would cost the state another estimated \$100 million.

Sun Times editorial writers summarized the deal, "Wisconsin would be taking all the risks, even as Illinois enjoyed a nice share of the benefits. The Foxconn plant likely would be located right across the border in Kenosha County or Racine County. The commute from Waukegan to Kenosha is just 16.5 miles. The commute from Zion is ten."

I could not agree more with the conclusion of the editorial, "Border wars are stupid. Interstate job-poaching is nothing but a race to the bottom. And the best way to tap global markets would be to create a regional economic development strategy."

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