

# Fitch Ratings: Foxconn may have positive impact on some Wisconsin local governments

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The recent announcement by Foxconn, a Taiwanese electronics manufacturer, that it will make a \$10 billion investment in southeastern Wisconsin could have a positive effect on Fitch's consideration of revenue growth prospects as well as the affordability of debt and pension liabilities for local governments in that region. While the final location for the Foxconn development has yet to be determined, the corporation has identified several potential locations in Racine and Kenosha counties. Fitch does not expect the Foxconn development to result directly in any rating changes for municipalities in the state.

The Wisconsin state legislature is currently in special session to consider a bill that would grant Foxconn approximately \$3 billion in tax incentives over a 15 year period and a \$252 million state debt issuance for required infrastructure improvements to the Interstate-94 corridor. Foxconn has pledged to create an initial 3,000 jobs which are expected to increase to 13,000 once the site is fully operational in exchange for the tax credits.

Property tax base growth will likely be limited by incentive agreements, but local governments may stand to gain from the development deal through the significant influx of high paying jobs. The average salary estimate is reported to be

approximately \$55,000, which is equal to 132% and 126% of per capita personal income in Kenosha and Racine counties, respectively. Significant employment and salary growth may lead Fitch to revise upward its assessment of the affordability of a local government's long-term liabilities. This assessment measures debt and unfunded net pension liabilities against personal income. Increased spending power may also drive growth in county sales tax revenues, improving growth prospects for revenues over time.