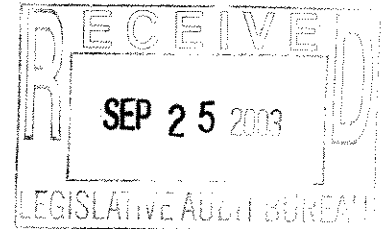




21

Carol Roessler
STATE SENATOR

September 22, 2003



Representative Suzanne Jeskewitz, Co-chairperson
Joint Legislative Audit Committee
314 North, State Capitol
Madison, Wisconsin 53702

Dear Representative Jeskewitz:

I write today to respectfully request an audit of the manufacturing assessment function performed by the Department of Revenue. The issue of transferring responsibility for manufacturing assessment to local governments emerged during the recent budget deliberations. While that issue has been addressed currently, I remain concerned about the Department's execution of its responsibilities. Therefore, I request that the Legislative Audit Bureau be directed to conduct a comprehensive audit of the methods used by the Department to assess manufacturing property and the extent to which the Department completes assessments once every five years, as is required by statute.

Thank you for your consideration. Please contact me with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Carol".

Senator Carol Roessler
Co-chairperson
Joint Legislative Audit Committee

cc: Janice Mueller
State Auditor

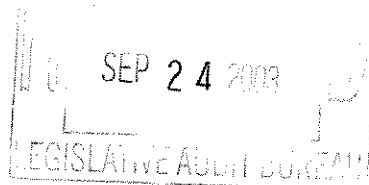
State of Wisconsin
JOINT COMMITTEE ON LEGISLATIVE ORGANIZATION

Co-Chair
PRESIDENT ALAN LASEE
State Senate



Co-Chair
SPEAKER JOHN GARD
State Assembly

September 24, 2003



Senator Carol Roessler, Co-Chairperson
Representative Suzanne Jeskewitz, Co-Chairperson
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Roessler and Representative Jeskewitz:

The Joint Committee on Legislative Organization has unanimously voted to change the leadership of the Legislative Technology Services Bureau. The Joint Committee is conducting a search for new management.

We respectfully request that, as soon as possible, you direct the staff of the Legislative Audit Bureau to conduct a complete audit of this service agency. Legislative Technology Services Bureau Interim Director Terry C. Anderson will ensure that the Legislative Audit Bureau has complete cooperation in this review.

Thank you for your consideration.

Sincerely,

Handwritten signature of Alan Lasee in black ink.

President Alan Lasee
Co-Chair

Handwritten signature of John Gard in black ink.

Speaker John Gard
Co-Chair

AL:JG:kja

cc: Jan Mueller
Terry C. Anderson

-----Original Message-----

From: Paul Krueger [mailto:anp61@globaldialog.com]
Sent: Wednesday, October 15, 2003 2:12 PM
To: sen.roessler@legis.state.wi.us; rep.jeskewitz@legis.state.wi.us
Subject: FW: collecting under registration fees not being properly charged to pickup and cargo vans

I am forwarding the same information to you that I sent to Rep Foti, just to show you the information more fully, I know he didn't give you this much information, as he sent me a copy of same. I think it is a big mistake not to re-consider auditing the possibility of the DMV to automatically require the proper fees be collected on existing as well as new trucks, rather than expecting the uninformed public to be responsible for this, as it won't happen in a majority of cases. Note that the fees shown below are current, however next year they will also be raised, making this an ideal time to include the automatic fee created by changing or programming the computers to accomplish this. They are always looking for ways to acquire additional money and this will not require a law change as it already exists.

-----Original Message-----

From: Paul Krueger [mailto:anp61@globaldialog.com]
Sent: Friday, September 19, 2003 11:30 AM
To: schedule@gov.state.wi.us
Subject: collecting under registration fees not being properly charged to pickup and cargo vans

I have emailed a statement to Rep. Steve Foti in March and received a response on April 14th, and after calling his office received a follow up letter July 8th regarding the proper registration fees being charged on pickup trucks and cargo vans as well. Individuals purchasing these type vehicles are to register them based on their respective gross weights, but many don't understand what that means. As a result thousands of them are under registered. The department of Motor vehicles as well as the Police agencies have the capabilities to look up and enforce the proper registration requirements, but they have no incentive to enforce them, many of them lack the knowledge required.

I am a retired DMV employee that has registered many of these type vehicles, explaining to the purchasers of these vehicles as to what they should have for their vehicle gross weight, most of them understood my explanation and complied with my explanation. As Motor vehicle representatives we were not required to do this as it was the applicants responsibility to properly register their respective vehicles.

Many of these that should be paying \$61.50, \$77.50, \$119.50, \$161.50 or higher are only paying \$48.50 annually, some of them maybe \$61.50, but not the rate required of them.

Many thousands of dollars additional could be collected annually if so

required of them if so enforced without even raising the rates. The longer this takes to enforce the less money would be collected.

If this request would be taken off the back burner and processed, thousands or much more money could be taken in each year.

Any response would be appreciated. Note I have a 3/4 ton Dodge Diesel that could get by paying \$48.50 per year, but I pay \$77.50 per year.

Thank you in advance

Paul Krueger
N60 W35378 Parkside Court
Oconomowoc, WI 53066-1836
262-567-3806
Email anp61@globaldialog.com

Asbjornson, Karen

From: Stuart, Todd
Sent: Monday, August 11, 2003 11:17 AM
To: Asbjornson, Karen
Subject: Audit - light trucks/pick ups

Karen:
Paul Krueger, retired DMV would like you to call for further details 262-567-3806 when you get around to it.

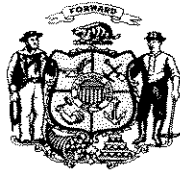
He says Foti just sent CR and Jeskewitz a letter requesting an audit of how pick-up trucks are improperly registered. 1/2 ton and 3/4 ton vehicles are supposedly being registered at the lightest weight.

I didn't know if this was an audit in the works or if just a request.

Todd Stuart
Office of Senator Carol Roessler
(608) 266-5300/1-888-736-8720
todd.stuart@legis.state.wi.us

*Tried
several
times no
ans. machine*

*10/15/03
CA talked to
said if he had
more to show
to forward
in writing*



Jim Doyle
Governor

Matthew J. Frank
Secretary

Mailing Address

3099 E. Washington Ave.
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 240-5000
Fax (608) 240-3300

State of Wisconsin
Department of Corrections

October 17, 2003

Senator Carol Roessler
Room 8 South, State Capitol
PO Box 7882
Madison, WI 53707-7882

John Townsend
Room 22 West, State Capitol
PO Box 8953
Madison, WI 53708

Dear Senator Roessler and Representative Townsend:

Enclosed is a copy of the National Institute of Corrections report and recommendations to address sexual misconduct issues between staff and offenders. As you know, I requested technical assistance to review this issue and am pleased to receive this report.

I am appointing a team of Department employees comprised of both management and labor representatives to review the main objectives identified and to report back to me in early 2004.

Thank you for your continued support in this important area.

Sincerely,

Matthew J. Frank
Secretary



Joe Leibham

STATE SENATOR

October 24, 2003

Senator Carol Roessler, Co-Chair
Joint Committee on Audit
Room 8 South, State Capitol
Madison, WI 53708

Representative Suzanne Jeskewitz, Co-Chair
Joint Committee on Audit
Room 314 North, State Capitol
Madison, WI 53708

Dear Senator Roessler and Representative Jeskewitz,

On behalf of the sportsmen and women of Wisconsin, I am writing to request approval from the Legislative Joint Audit Committee for an audit of the Department of Natural Resources' (DNR) Fish & Wildlife Account.

As you know, as a part of his original 2003-2005 State Budget plan, Governor Jim Doyle proposed to increase hunting and fishing license fees by approximately \$23 million. While the legislature amended the Governor's proposal, license fee increases were enacted as a part of the final version of the state budget, 2003 Wisconsin Act 33.

The Governor's license fee increase plan generated a great deal of question and debate across our state. Many constituents who hunt, fish and enjoy Wisconsin's outdoors are interested in better understanding how the dollars that they invest on hunting and fishing licenses fees are being used by the DNR.

In light of the questions and interest raised, I would like to request that the Audit Committee approve an audit of the DNR Fish & Wildlife Account. The audit could focus on the following:

- A review of DNR accounting procedures used in regard to the receipt and allocation of hunting and fishing license fees.
- A review of the funds raised from the sale of hunting and fishing licenses and the extent in which the Department appropriates these funds to fish and wildlife programs.
- A review of how the funds received from the sale of hunting and fishing license fees are used for other expenditures.
- An examination of how Wisconsin fares against neighboring states in expending percentage of funding for fish & wildlife activities versus administrative costs.

I appreciate your consideration of this request. Please contact me if you have any questions. This audit will provide valuable information to the legislature for future budget considerations and answers to the important questions asked by the sportsmen and women of our state.

Sincerely,

Joe Leibham

State Senator

9th Senate District

State Capitol: P.O. Box 7882 • Madison, WI 53707-7882

(608) 266-2056 • Toll-Free: (888) 295-8750 • Fax: (608) 267-6796 • E-Mail: Sen.Leibham@legis.state.wi.us

9th District: 3618 River Ridge Drive • Sheboygan, WI 53083 • Phone: (920) 457-7367

-----Original Message-----

From: Leibham, Joseph
Sent: Wednesday, March 24, 2004 12:35 PM
To: Roessler, Carol; Jeskewitz, Suzanne
Cc: Leibham, Joseph
Subject: Senator Leibham Audit Request

Senator Roessler and Representative Jeskewitz,

Now that we have finished up legislative work on the Transportation Projects Commissions (TPC) Bill, I am requesting your further consideration of my request for an audit on the use of hunting and fishing license fees by the Department of Natural Resources (DNR).

A copy of my original audit request letter is attached for your review.

<< File: Audit Request 10.1.03.doc >>

It was a pleasure working with both of you on the TPC legislation and I appreciate your consideration of this important audit request.

Thanks for your service to the State of Wisconsin.

It is an honor representing the residents of the 9th District in the State Senate!

Sincerely,

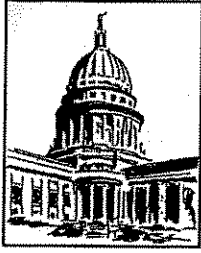
Joe Leibham
State Senator
9th Senate District

Sen.Leibham@legis.state.wi.us
Toll Free - 1.888.295.8750
Capitol Address -
P.O. Box 7882
Madison, WI 53707-7882
State Web Page - www.wisconsin.gov

"On-line" Office of the 9th Senate District
www.legis.state.wi.us/senate/sen09/news/index.htm

Reynolds too!

Need to do something



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

October 27, 2003

Senator Joseph Leibham
409 South, P.O. Box 7882
Madison, WI 53707-7882

Dear Senator Leibham:

We received the request that you recently submitted to the Joint Audit Committee. This letter serves as confirmation of that request.

Each request submitted receives serious consideration. As conscientious legislators, we all welcome new ways to do things less expensively or more efficiently. We, as co-chairs of the committee, aim to meet once a month to discuss all requests. Shortly after the meeting, one of us will follow-up with you directly to let you know the status of your request.

Thank you again for your request and we will be in touch soon.

Sincerely,

Senator Carol Roessler
Co-chairperson
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz
Co-chairperson
Joint Legislative Audit Committee

CHAIR:
Energy and Utilities Committee

MEMBER:
Higher Education and Tourism
Joint Committee on Audit
State Building Commission

ROBERT L. COWLES
Wisconsin State Senator • 2nd Senate District

November 18, 2003

Representative Sue Jeskewitz
Co-chair, Joint Committee on Audit
State Capitol, Room 314 N
Madison, WI 53707

Senator Carol Roessler
Co-chair, Joint Committee on Audit
State Capitol, Room 8 S
Madison, WI 53707

Dear Co-chairpersons Jeskewitz and Roessler:

I am writing to urge you and to consider a formal audit of Wisconsin's Certified Capital Company (CAPCO) program.

The CAPCO program was created to increase the amount of venture capital in Wisconsin. It is administered by the Department of Commerce and provides up to \$50 million in insurance premium tax credits over ten years to insurance companies operating in the state. These insurance companies can claim these credits after investing in certified venture capital companies.

Unfortunately, CAPCOs are a very inefficient method of raising venture capital. I recently asked State Auditor Janice Mueller for a brief paper audit of the program. I am concerned about the information provided by the Legislative Audit Bureau regarding CAPCOs (see attached memo). I do not believe CAPCOs have generated significant numbers of high paying jobs, nor is it the best return for state taxpayers. In addition, the amount invested and the types of investments that have been made thus far are not satisfactory.

As the Legislature and the Governor appear poised to reform and increase the amount of available tax credits for the CAPCO program, I believe it would be prudent to review the current program in greater detail.

I appreciate your time and attention in this matter. Please feel free to contact me if you have questions or concerns.

Sincerely,

Senator Robert Cowles

Enclosure

cc: Janice Mueller, State Auditor, Legislative Audit Bureau



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

JANICE MUELLER
STATE AUDITOR

22 E. MIFFLIN ST., STE. 500
MADISON, WISCONSIN 53703
(608) 266-2818
FAX (608) 267-0410
Leg.Audit.Info@legis.state.wi.us

November 12, 2003

Senator Robert Cowles
122 South, State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles:

As you requested, we have collected information on Wisconsin's Certified Capital Company (CAPCO) program, an economic development program designed to increase the amount of venture capital in Wisconsin. CAPCO is administered by the Department of Commerce.

Under the current program, the State provides up to \$50.0 million in tax credits on premiums to insurance companies operating in Wisconsin. A participating insurance company's tax credit is equal to the amount it invests in a certified venture capital firm. The insurance companies claim up to 10 percent of their premium tax credits annually for ten years.

Since the program's inception, a total of 32 insurance companies have made certified capital investments totaling \$50 million, including two Wisconsin insurance companies, American Family Life Insurance Company and Northwestern Mutual Life Insurance Company. Most of these insurance companies have begun to claim their credits.

Table 1 shows the CAPCO credits taken by insurance companies from 1999 through 2002. For 2002, the participating firms had a gross premium tax of \$21.3 million, which was reduced by credits of \$4.8 million, or by 22.6 percent of their tax liability. Of the credits claimed in 2002, Wisconsin insurance firms claimed \$166,700, and out-of-state insurance firms received \$4.6 million. 2003 Wisconsin Act 33 estimates premium taxes for all insurance companies doing business in Wisconsin, including those that do not participate in the CAPCO program, will be \$105 million in fiscal year (FY) 2003-04 and \$95 million in FY 2004-05.

Table 1
Credits Taken by Insurance Companies¹
 1999 through 2002

Company	State	Certified Amount	Credits Taken		2002 Premium Tax
			1999-2001	2002	
Pacific Life Ins. Co.	CA	\$ 2,000,000	\$ 600,000	\$ 200,000	\$ 716,900
Hartford Life and Accident Ins. Co.	CT	2,333,300	900,000	300,000	938,100
Hartford Life Ins. Co. ²	CT	666,700	—	—	—
The Travelers Indemnity Co. of CT ³	CT	1,383,300	365,000	53,300	126,100
New York Life Ins. And Annuity Corp.	DE	308,300	92,500	30,800	221,700
American Family Life Assurance Co.	GA	1,833,300	550,000	183,300	355,300
EMCASCO Ins. Co.	IA	500,000	150,000	25,000	302,500
Employers Mutual Casualty Co.	IA	1,000,000	300,000	100,000	639,700
Principal Life Ins. Co.	IA	3,333,300	1,000,000	333,300	2,320,400
Allstate Ins. Co.	IL	2,916,700	875,000	291,700	565,800
Allstate Life Ins. Co.	IL	416,700	125,000	41,700	157,900
Federal Kemper Life Assurance Co.	IL	166,700	33,300	16,700	136,300
The Travelers Indemnity Co. of IL.	IL	1,383,300	465,000	223,300	261,200
John Hancock Life Ins. Co. ⁴	MA	1,066,700	320,000	106,700	319,500
John Hancock Variable Life Ins. Co.	MA	933,300	280,000	93,300	162,500
Massachusetts Mutual Life Ins. Co.	MA	3,333,300	1,000,000	333,300	422,000
Monumental Life Ins. Co.	MD	833,300	250,000	83,300	231,500
Auto-Owners Ins. Co.	MI	1,333,300	400,000	133,300	435,000
Fortis Benefits Ins. Co. ⁵	MN	2,333,300	700,000	300,000	1,200,800
IDS Life Ins. Co.	MN	1,000,000	300,000	100,000	587,000
Physicians Mutual Ins. Co.	NE	1,666,700	500,000	166,700	402,400
The Guardian Life Ins. Co. of America ⁶	NY	2,333,300	700,000	233,300	365,000
Metropolitan Life Ins. Co. ⁶	NY	3,333,300	1,000,000	333,300	2,190,100
New York Life Ins. Co. ⁶	NY	1,858,300	557,500	185,900	752,600
Phoenix Life Ins. Co. ^{6,7,8,9}	NY	1,500,000	444,000	120,000	165,600
PHL Variable Ins. Co. ⁷	CT	—	5,500	7,800	7,800
Phoenix Life and Annuity Co. ⁷	CT	—	500	21,000	21,000
Phoenix National Insurance Co. ⁸	OH	—	—	200	200
Owners Ins. Co.	OH	233,300	70,000	23,300	148,400
Western Res. Life Assurance Co. of OH	OH	833,300	250,000	83,300	234,700
National Union Fire Ins. Co. of Pittsburgh	PA	1,000,000	300,000	100,000	934,800
Stonebridge Life Ins. Co. ¹⁰	VT	833,300	250,000	83,300	253,400
American Family Life Ins. Co.	WI	3,333,300	1,000,000	333,300	1,141,000
John Alden Life Ins. Co.	WI	666,800	200,000	—	5,800
Northwestern Mutual Life Ins. Co.	WI	1,666,800	500,000	166,700	4,577,600
Northwestern Mutual Life Ins. Co.	WI	<u>1,666,800</u>	<u>not taken</u>	<u>not taken</u>	<u>—</u>
		\$50,000,000	\$14,483,300	\$4,807,100	\$21,300,600

¹ All amounts have been rounded.

² Transferred all its credit to Hartford Life and Accident per 1/28/00 letter.

³ In 2001, transferred \$50,000 of its credit to Travelers Indemnity Co. of IL. For 2002, transferred \$85,000 of its credit to Travelers Indemnity Co. of IL.

⁴ Formerly known as John Hancock Mutual Life Ins. Co.

⁵ Beginning in 2002, John Alden Life Insurance Company transferred its remaining CAPCO credit to Fortis in the amount of \$66,666.67 per year.

⁶ 2002 tax figures are not final for New York companies.

⁷ In 2000, transferred \$5,500 of its credit to PHL Variable and \$524 to Phoenix Life and Annuity.

⁸ In 2002, per letter, Phoenix Life Ins Co requested \$178 of CAPCO credit be transferred to Phoenix National Ins. Co.

⁹ Formerly known as Phoenix Home Life Mutual Ins. Co.

¹⁰ Formerly known as J C Penney Life Ins. Co.

Three venture capital firms, or CAPCOs, have been certified by the Department of Commerce to receive investment funds from the insurance companies: Advantage Capital Wisconsin Partners I, Limited Partnership (\$16.7 million); Banc One Stonehenge Capital Fund Wisconsin, LLC (\$16.7 million); and Wilshire Investors, LLC (\$16.7 million). The headquarters of these firms are, respectively, New Orleans, Louisiana; Baton Rouge, Louisiana; and New York City.

Statutes require that the CAPCOs make investments only in companies that:

- are headquartered in Wisconsin;
- are in need of venture capital and unable to obtain conventional financing;
- have no more than 100 employees, with at least 75 percent employed in Wisconsin;
- had an average net income, after federal taxes and excluding carryover losses, of less than \$2 million during the last two fiscal years;
- have net worth of less than \$5 million; and
- are not predominately engaged in professional services provided by accountants, lawyers, or physicians or engaged in real estate development, banking or lending.

Statutes also restrict the CAPCOs' investments to cash investments for the purchase of equity security or debt security. In addition, the businesses in which the CAPCOs invest must agree to maintain at least 75 percent of their workforce in Wisconsin and not to relocate operations after receiving the investment.

The CAPCOs are required by statute to make 30 percent of their insurance company investments within three years, and 50 percent within five years. It should be noted that these thresholds are based on total cumulative investments, and a CAPCO's reinvested proceeds or profits from earlier investments count toward the percentage thresholds established for the original certified investment amount. There are no further time requirements for investments beyond the 50 percent level, but there are various restrictions on disbursements by a CAPCO that has not met a 100 percent threshold.

No formal evaluation has been conducted of the program's effectiveness in supporting new and growing small businesses with the venture capital provided. However, Department of Commerce staff indicate that, as of December 31, 2002, the CAPCOs reported they had made investments totaling \$17.8 million in 14 Wisconsin firms. A subsequent report issued by Venture Investors LLC, which manages Advantage Capital Wisconsin Partners I, Limited Partnership, reported that as of March 31, 2003, \$20.7 million had been invested.

Table 2 shows the businesses that have received CAPCO program funds.

Table 2

Qualified Investments, as of December 31, 2002
(in millions)

<u>Business Name</u>	<u>City</u>	<u>Amount Received</u>
Advantage Capital Wisconsin Partners I, Limited Partnership	Madison	
AlfaLight, Inc.	Madison	\$ 1.7
FoodUSA.com	Madison	1.0
Gala Biotech, Inc. ¹	Middleton	0.9
Silicon Logic Engineering, Inc. ²	Eau Claire	1.3
Soft Switching Technologies, Inc.	Middleton	1.4
TomoTherapy, Inc.	Madison	<u>1.3</u>
Subtotal		7.6
Banc One Stonehenge Capital Fund Wisconsin, LLC	Milwaukee	
Gala Design, Inc. ¹	Middleton	0.5
House of Harley-Davidson, Inc.	Milwaukee	1.3
Mortgagebot LLC	Cedarburg	1.1
NameProtect, Inc.	Madison	0.7
Opgen, Inc.	Madison	0.2
Silicon Logic Engineering, Inc. ²	Eau Claire	<u>1.2</u>
Subtotal		5.0
Wilshire Investors, LLC	Mequon	
BuySeasons, Inc.	Waukesha	0.3
Copia Technology Services, Inc.	Mequon	2.5
Hypercosm, Inc.	—	0.3
Universal Processing Services of Wisconsin, LLC	New Berlin	<u>2.1</u>
Subtotal		5.2
Total		\$17.8

¹ Gala Biotech, Inc., and Gala Design, Inc., are the same firm.

² Silicon Logic Engineering, Inc., received funding from two of the venture capital firms.

We obtained limited information on 11 of the 14 Wisconsin firms that have received funding under the CAPCO program through an Internet search.

- AlfaLight, Inc., is a manufacturer of high-power laser diodes.
- Gala Biotech, Inc., is a biotech firm.

- Silicon Logic Engineering, Inc., provides semiconductor design services.
- Soft Switching Technologies, Inc., manufactures devices that reduce the effect of power interruptions on manufacturing systems.
- TomoTherapy, Inc., provides radiation treatments for cancer patients.
- House of Harley-Davidson, Milwaukee, is a retail store and showroom that sells Harley-Davidson products.
- Mortgagebot, LLC, provides Internet technology services for the mortgage lending industry.
- NameProtect, Inc., provides trademark research, trademark watching, and on-line brand monitoring services.
- OpGen, Inc., is a genomics company.
- BuySeasons, Inc., is a Web site developer of specialty merchandise.
- Hypercosm, Inc., provides technology services featuring 3-D content.

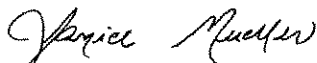
FoodUSA.com has apparently gone out of business, and we were unable to find readily available information on Copia Technology Services, Inc., and Universal Processing Services of Wisconsin, LLC.

You asked how many jobs had been created by these firms. As of December 31, 2002, the Department of Commerce reports that 101 jobs were created in Wisconsin by firms that received funding through CAPCO investments. In its later report, Venture Investors, LLC, indicated that 157 Wisconsin jobs were created under the program as of March 31, 2003.

The March 2003 report prepared by Venture Investors, LLC, also indicates seven other states have adopted CAPCO legislation: Florida (\$150 million), Louisiana (\$721 million), Missouri (\$140 million), New York (\$280 million), Colorado (\$100 million), Alabama (not yet allocated), and Texas (no information provided).

If you have any additional questions concerning the program, please feel free to contact me.

Sincerely,



Janice Mueller
State Auditor

JM/DB/bm

CHAIR:
Energy and Utilities Committee

MEMBER:
Higher Education and Tourism
Joint Committee on Audit
State Building Commission

ROBERT L. COWLES

Wisconsin State Senator • 2nd Senate District

NEWS RELEASE
FOR IMMEDIATE RELEASE
November 20, 2003

For More Information Contact:
Senator Cowles or Todd Stuart
at 1-800-334-1465

Cowles: Calls for Audit of the CAPCO program

Madison – Senator Cowles (R-Green Bay) demanded a formal audit of Wisconsin's Certified Capital Company (CAPCO) program. Senator Cowles, a member of the Legislative Audit Committee wrote to the Co-chairs asking that CAPCO program get a thorough review. "I am very concerned over the performance of this program. I think it merits the critical eye of the Legislative Audit Bureau," said Cowles.

The CAPCO program was created to increase the amount of venture capital in Wisconsin. It is administered by the Department of Commerce and provides up to \$50 million in insurance premium tax credits over ten years to insurance companies operating in the state. These insurance companies can claim these credits after investing in certified venture capital companies. Unfortunately, the results of the program thus far have been disappointing and expensive to taxpayers.

"CAPCOs are a very inefficient method of raising venture capital," said Cowles. "I do not believe CAPCOs have generated significant numbers of high paying jobs, nor is it the best return for state taxpayers. In addition, the amount invested and the types of investments that have been made thus far are not satisfactory."

The Legislature and the Governor appear poised to reform the CAPCO program significantly, and also increase the amount of available tax credits by \$75 million. Senator Cowles believes it would be prudent to review the current program in greater detail before any expansion is considered, and therefore voted against the bill last Friday.

In particular, an audit would identify how efficient this method of raising venture capital has been for Wisconsin. It could examine what kind of returns the program has generated per state tax dollar. An audit could detail the companies that have received funds. We should ask if these investments would have occurred without this program or if the program depressed capital and seed money for start-ups and emerging companies. Finally, the state should study whether it bridged the state's gap between our ideas and our venture capital.

"This program has not delivered much bang for the buck. We need to give it a thorough review to know exactly what we have paid for," said Cowles.


#30#

Office:
Room 122 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
608-266-0484

Toll-Free Hotline: 1-800-334-1465
TDD Hotline: 1-800-228-2115
Fax: 608-267-0304

District:
300 W. St. Joseph Street
Green Bay, WI 54301-2328
920-448-5092
Fax: 920-448-5093

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Appleton Weather

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 Hi: 36 °F
 Lo: 18 °F

VIEWS
 Posted Dec. 03, 2003

Editorial: State's venture capital program begs for auditing

If you had invested \$20.7 million in creating jobs, and after about four years, there were only 157 new jobs, you probably got a bad deal.

If, however, you'd invested it in companies that showed 61 percent job growth, and the average employee made double the average Wisconsinite's salary, you'd feel pretty good about it.

The trouble is, nobody seems to be able to tell us which is true of the state's existing program to attract venture capital, and the state Senate wants to expand it. Before that decision is made, though, let's try to figure out the answer.

Wisconsin is desperate for venture capital. While we rank fourth in the country for developing new patents, we rank 47th in business startups.

Investors aren't sending their money to Wisconsin, so we can't turn the good ideas into companies and jobs here at home.

Since 1999, the state has tried to help new businesses take root in Wisconsin by offering \$50 million in tax incentives.

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Insurance companies, which often have a lot of cash on hand, get tax breaks in exchange for giving money to state-authorized venture capital companies. The capital companies, called CAPCOs for short, invest the money in promising companies that can't get conventional financing.

The problem with the program, though, is that we don't know whether there's a problem with the program.

According to the state's Legislative Audit Bureau, "No formal evaluation has been conducted of the program's effectiveness in supporting new and growing small businesses with venture capital provided."

State Sen. Robert Cowles, R-Green Bay, wants the state to audit the program. CAPCOs, Cowles believes, are "a very inefficient method of raising venture capital."

Wisconsin is one of several states that use CAPCOs to dole out the money. Florida and Colorado openly hate theirs. Missouri, on the other hand, credits theirs with creating 1,607 jobs in the first 30 months.


Objective experts think they have merits and drawbacks, depending on what the state needs and requires.

The new \$75 million program the Senate approved is probably an improvement over the current program. It requires CAPCOs to bid for the state's business and would entitle the state to income from the investment.

But we need to find out how well the current model works before we can determine whether the expanded model will do what it's intended to do, and whether we're getting a good deal or a bad one.

Legislators and the governor can't make good decisions unless they have good numbers, and the audit Cowles wants is the way to get them.

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John Gard

Speaker of the Assembly

December 10, 2003

Janice Mueller
State Auditor
22 East Mifflin Street
Suite 500
Madison, Wisconsin

Dear Jan:

I am concerned about the state Department of Transportation's recent announcement that it lacks sufficient funding to ensure that roads are plowed and salted this winter and the potential effect of this decision on the safety of travelers on Wisconsin roads this winter. It is particularly puzzling given the fact that in the state budget this year, \$165.5 million was appropriated to DOT in each year of the biennium for highway maintenance funding, which includes plowing and salting.

Therefore, I am requesting that the Legislative Audit Bureau conduct an audit of the DOT maintenance account to identify how they are using the monies allocated to them and how they are setting their spending priorities.

Thank you for your attention to this matter. Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John G. Gard".

John G. Gard
Speaker

cc: Secretary Busalacchi



Senate Majority Leader
MARY E. PANZER

Wisconsin State Senate • 20th District

December 19, 2003

Senator Carol Roessler
Co-Chair
Joint Legislative Audit Committee
8 South, State Capitol
INTER-DEPARTMENTAL

Representative Sue Jeskewitz
Co-Chair
Joint Legislative Audit Committee
314 North, State Capitol
INTER-DEPARTMENTAL


Dear Senator Roessler and Representative Jeskewitz,

I am requesting as Co-chairs of the Joint Legislative Audit Committee that you require a comprehensive audit of the Opportunities Industrialization Center of Greater Milwaukee (OIC) as it pertains to their dealings with the State of Wisconsin.

As you know, allegations have been launched that involve the OIC. The allegations include financial irregularities related to fees paid by OIC. As OIC is one of the major agencies operating the welfare-to-work program, I feel it is legitimate for the state to engage an audit into the organization.

If you have any questions regarding this request, please feel free to contact me.

Sincerely,


MARY E. PANZER
Majority Leader
Wisconsin State Senate

MEP/kmr

Alberta Darling
Wisconsin State Senator
Co-Chair, Joint Committee on Finance

December 29, 2003

Honorable Senator Carol Roessler
Co-Chair, Joint Legislative Audit Committee
8 - South, State Capitol

Honorable Representative Suzanne Jeskewitz
Co-Chair, Joint Legislative Audit Committee
314 - North, State Capitol

Dear Senator Roessler and Representative Jeskewitz:

After various meetings, recent media coverage, and a review of other data, I am formally requesting an audit of the Wisconsin Works (W-2) program, which is administered by the Department of Workforce Development (DWD). Several years ago, the Legislative Audit Bureau conducted a series of audits on the W-2 program. The most recent was issued in April 2001. It has been almost three years since an objective external reviewer has evaluated the W-2 program. During that time, the program has undergone a number of significant changes, especially in Milwaukee County.

Given recent develops and the fact that reliable information on the W-2 program is now outdated, I believe an audit is warranted. Specifically, I would ask the Audit Bureau to focus its review on the following areas:

- State and local administrative costs, including a review of the level and appropriateness of these expenditures;
- Program sanctions, including the extent to which DWD has been successful in reducing the inappropriate sanctioning of W-2 participants;
- The cost and effectiveness of training program participants with the greatest barriers to employment;
- Trends in participant caseloads, including the extent to which DWD has been successful limiting cash assistance caseloads by assisting former participants to maintain their employment; and
- DWD's progress in implementing the Audit Bureau's prior recommendations to improve program management, including improving oversight of contractor spending.

I believe an audit focusing on these areas would be appropriate to address many of the concerns legislators may have with the operation of the W-2 program. Thank you for your time and attention to this matter. I look forward to working with each of you and I am happy to answer any questions that you may have.

Sincerely,


ALBERTA DARLING
State Senator

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Email: Sen.Darling@legis.state.wi.us □ Web page: www.legis.state.wi.us/senate/sen08/news/