



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2007 Wisconsin Act 125
[2007 Assembly Bill 741]

**Changes to State Economic
Development Programs**

2007 Wisconsin Act 125 is the product of a workgroup established by the co-chairs of the Joint Legislative Audit Committee to recommend legislation to implement recommendations contained in Legislative Audit Bureau Audit Report 06-9, *A Review of State Economic Development Programs*. Generally, the audit recommendations relate to reducing the number of economic development programs by consolidating similar programs and eliminating inactive ones, strengthening reporting requirements, establishing clear, measurable program goals, and improving program transparency by making information about programs more readily available to the public.

Act 125 contains the following provisions:

1. Definition of “Economic Development Program”

Act 125 creates the following definition of “economic development program,” based on the definition used in Audit Report 06-9:

“Economic development program” means a program or activity having the primary purpose of encouraging the establishment and growth of business in the state, including the creation and retention of jobs, and that satisfies all of the following:

- (a) The program receives funding from the state or federal government that is allocated through an appropriation under chapter 20.
- (b) The program provides financial assistance, tax benefits, or direct services to specific industries, businesses, local governments, or organizations.

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature’s Web site at: <http://www.legis.state.wi.us/>.

2. Elimination of Economic Development Programs

Act 125 eliminates from the statutes the following economic development programs:

a. Department of Commerce (Commerce) Programs

- Minority Nonprofit Corporation Grants
- Minority Business Incubator Grants
- Industrial Building Construction Loan Fund
- Community-Based Economic Development Revolving Loan Fund Grants
- Low-Income Rural Municipality Economic Development Loans
- Small Business Innovative Research Program Grants
- Technology-Based Economic Development Programs, including the Seed Capital Fund, the Information Exchange Clearinghouse, and the Manufacturing Modernization Program

b. Department of Agriculture, Trade and Consumer Protection Program

- Sustainable Agriculture Grant Program

c. Wisconsin Housing and Economic Development Authority Program

- Beginning Farmer Program

3. Consolidation of Commerce Programs

a. Minority Business Development

Act 125 consolidates into one program the following minority business programs: (1) minority business early planning grants; (2) minority business development grants and loans; (3) minority business revolving fund grants and loans; and (4) minority business development finance and education training grants.

Prior to enactment of Act 125, Commerce was authorized to award grants under item (1) and the Minority Business Development Board was authorized to award grants and loans under items (2) and (3) and grants under item (4). The Act authorizes the board to award grants and loans under item (1) and loans, as well as grants, under item (4).

b. Gaming Economic Development

The Act consolidates into one program the gaming economic development grant and loan program and the gaming economic diversification grant and loan program.

c. Employee Skills Training

The Act consolidates into one program the minority business employee skills training program, the rural business employee skills training program, and the business employee skills training program.

4. Changes to Reporting Requirements

a. Reduction in Number of Separate Reports Required From Commerce

Prior to enactment of Act 125, Commerce was required to submit numerous reports to the Legislature on its economic development programs. These reporting requirements were not uniform and the reports covered differing time periods and were due on varying dates. Under Act 125, Commerce must submit only the following as separate reports:

1. A biennial report to the Legislature on the performance and operations of Commerce in the preceding biennium. (This report is not limited to economic development.)
2. A report to the State of Wisconsin Investment Board on the types of investments in Wisconsin businesses that have the greatest likelihood of enhancing economic development.
3. A report on the State Main Street Program.
4. A report on the business development promotion activities conducted by Forward Wisconsin, Inc.
5. A report evaluating certified capital investments under the “CAPCO” program in subch. II of ch. 560, 2005 Stats., which was eliminated in 2007 Act 20.

b. Comprehensive Annual Reports From Commerce and Seven Other State Agencies

The Act requires Commerce and each of seven additional state agencies (collectively, “the eight state agencies”) to submit to the Joint Legislative Audit Committee and appropriate standing committees a ***comprehensive annual report*** by October 1, detailing its economic development activities in the preceding fiscal year. The seven state agencies are: (1) the University of Wisconsin System; (2) the Department of Agriculture, Trade and Consumer Protection; (3) the Department of Natural Resources; (4) the Wisconsin Housing and Economic Development Authority; (5) the Department of Tourism; (6) the Technical College System; and (7) the Department of Transportation.

The annual report from each of the eight state agencies must include all of the following:

1. A description of each program.
2. Quantifiable performance measures directly related to the program’s purpose including, when applicable, all of the following information:
 - (a) An accounting of the location, by municipality, of each job created or retained in the state in the previous fiscal year as a result of the program.

- (b) An accounting of the industry classification, by municipality, of each job created or retained in the state in the previous fiscal year as a result of the program.
3. A comparison of expected and actual program outcomes.
4. The number of grants made under the program in the previous fiscal year.
5. The number of loans made under the program in the previous fiscal year.
6. The amount of tax benefits allocated and verified under the program in the previous fiscal year.
7. The recipients of tax benefits allocated and verified under the program in the previous fiscal year.
8. The amount of each grant and loan made under the program in the previous fiscal year.
9. The recipient of each grant or loan made under the program in the previous fiscal year.
10. The sum total of all grants and loans awarded to and received by each recipient under the program in the previous fiscal year.
11. Any recommended changes to the program.

Commerce must collaborate with the seven other state agencies to facilitate the annual reporting by each agency. In turn, the seven state agencies must collaborate with Commerce to make the reported information available to the public on the Internet.

5. Programmatic Goals and Accountability Measures

Act 125 requires Commerce, and the seven other state agencies in consultation with Commerce, to do all of the following for each economic development program they administer:

- a. Establish clear and measurable goals for the program that are tied to statutory policy objectives.
- b. Establish at least one quantifiable benchmark for each program goal described in item a.
- c. Require that each recipient of a grant or loan under the program submit a report to the agency. Each contract with a recipient of a grant or loan under the program must specify the frequency and format of the report to be submitted to the agency and the performance measures to be included in the report.
- d. Establish a method for evaluating the projected results of the program with actual outcomes as determined by evaluating the information described in items a. and b.
- e. Annually and independently verify, from a sample of grants and loans, the accuracy of the information required to be reported under item c.

6. Administrative Rules; Recoupment of Payments

Act 125 requires the eight state agencies to establish the following, by administrative rule, for each economic development program they administer:

- a. A requirement that the recipient of an economic development grant or loan under the program of at least \$100,000 submit to the administering agency a verified statement describing the recipient's expenditure of the grant or loan funds, signed by both an independent certified public accountant and the director or principal officer of the recipient to attest to the accuracy of the verified statement. The rule also must require the recipient of such a grant or loan to make available for inspection the documents supporting the verified statement. The agency must include the requirement established by rule in the contract with grant or loan recipients.
- b. Policies and procedures permitting the administering agency to do all of the following if a recipient of a grant, loan, or tax benefit under the program submits false or misleading information to the agency or fails to comply with the terms of a contract entered into with the agency, without providing satisfactory explanation for the noncompliance:
 - (1) Recoup payments made to the recipient.
 - (2) Withhold future payments to be made to the recipient.
 - (3) Impose a forfeiture on the recipient.

7. Audit by the Legislative Audit Bureau

Act 125 requires the Legislative Audit Bureau to conduct a financial and program evaluation audit of state economic development programs administered by the eight state agencies no later than July 1, 2012.

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Prepared by: Pam Shannon, Senior Staff Attorney

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