



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 24, 2008

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Commerce: Section 13.10 Request to Transfer Funds from the Committee's  
Appropriation to Fund a Coordinated Plan to Attract Businesses -- Agenda Item I

### REQUEST

The Department of Commerce (Commerce) requests the transfer, under section 13.10 of the statutes, of \$50,000 GPR from the Joint Committee on Finance's program supplements appropriation to Commerce's appropriation for aid to Forward Wisconsin to fund joint development of a plan for the use of \$700,000 GPR in the supplemental appropriation in 2008-09 to attract businesses to Wisconsin.

### BACKGROUND

Commerce engages in a number of activities to promote its programs and activities and other aspects of economic development, and manages the economic development promotion account (\$30,000 annually) to fund some marketing activities. The Department provides information and produces publications related to opportunities for business start-ups, expansions, and operations in Wisconsin. A primary source of such information is the Department's Internet website. Information produced by the Department includes descriptions of economic conditions in Wisconsin and its advantages as a place to operate a business, actions and procedures that are required or helpful for starting and expanding a business in the state, and specific financial and technical assistance programs administered by the Department and other state agencies. Other information activities include issuing press releases and a newsletter, maintaining an inventory of available industrial sites and buildings, developing community profiles, and responding to inquiries.

Commerce area development managers are the Department's primary contacts with businesses considering locating or expanding in the state. An area development manager is located

in each of six regions covering the entire state. These managers work directly with companies on start-up and expansion plans and provide information on financial resources, environmental regulations, buildings and sites, labor availability and wage rates, utilities, taxes, and transportation. Area development managers visit employers in their areas, including those that are struggling because of declining sales, declining employment, or other factors.

The Department also provides specific services to firms in the science and technology fields, including assistance in locating resources, capital, and research partners. Staff provide services designed to encourage and stimulate the start-up, modernization, and expansion of high-tech businesses in Wisconsin.

Forward Wisconsin is a nonprofit organization created in 1984 to attract business to Wisconsin. Forward Wisconsin focuses on marketing Wisconsin to out-of-state companies to attract new businesses, jobs, and increased economic activity to the state. The organization currently has two full-time positions, offices in Madison and Milwaukee, and an annual budget of about \$640,000. The state provides annual funding of \$320,000 GPR to Forward Wisconsin through a separate appropriation under Commerce. Forward Wisconsin also receives matching funding through private investments.

State funds may be used by Forward Wisconsin for advertising, marketing and promotional activities within the United States related to the economic development of Wisconsin, and for salary, travel, and other expenses directly incurred by the organization in its economic development activities. State funds may not be used to finance costs of entertainment, foreign travel, payments to persons not providing goods or services to Forward Wisconsin, or other items prohibited by contract between the organization and the state.

Forward Wisconsin works to promote the state's image, project the state's positive business climate, and to attract industry and workers to Wisconsin. Forward Wisconsin uses a range of marketing activities including: (a) direct mail and telemarketing; (b) print advertising campaigns; (c) trade show appearances at industry expositions; (d) out-of-state prospecting trips to meet with CEO's interested in locating in Wisconsin; and (e) providing business cost comparisons, financial information, and other business consulting services. The organization provides a one-stop shop for business information through its website at [ForwardWI.com](http://ForwardWI.com). A key component of [ForwardWI.com](http://ForwardWI.com) is a statewide database of available buildings and sites, with data entered by communities throughout the state.

Forward Wisconsin is an associate member of both the Corporate Real Estate Network and Industrial Asset Management Council, which are the leading associations for business location professionals from real estate, consulting, and business. These organizations provide access to site selection consultants, real estate brokers, and private developers who often work with large and medium-sized companies in their business location process.

Forward Wisconsin typically conducts two major annual marketing missions to Minneapolis/St. Paul and to Chicago to communicate directly with business executives who may be

considering expansion options in Wisconsin. Letters from the Governor and cost-comparative information pieces are mailed to executives in targeted industry clusters. Forward Wisconsin also conducts mini-marketing missions when staff travels to trade shows, conferences, or special events in parts of the U.S. that appear to be good marketing targets for business recruitment.

In addition to its general marketing strategy, Forward Wisconsin promoted the biotechnology and wood products industry clusters in 2007-08. For example, the organization organized and coordinated the largest state marketing initiative undertaken at BIO 2007 in Boston and at BIO 2008 in San Diego. Forward Wisconsin also joined with state businesses in exhibiting at the World Congress of Industrial Biotechnology and BioProcessing Conference in Chicago and at the Association of Woodworking and Furnishing Suppliers Conference in Las Vegas.

Historically, Forward Wisconsin has been responsible for out-of-state marketing and business attraction, while Commerce is responsible for existing business retention, expansion, financial programs and international development. In August, 2007, Commerce and Forward Wisconsin adopted a memorandum of understanding (MOU) to better coordinate the state's business attraction activities. Under the terms of the memorandum, Commerce agrees to:

- a. Designate a division administrator (Investment and Export) to provide management and oversight of Forward Wisconsin staff and operations, at no cost to Forward Wisconsin.
- b. Lead the effort, in conjunction with Forward Wisconsin and the Forward Wisconsin Board of Directors, to raise private sector matching funds for Forward Wisconsin.
- c. Lead an effort, with the Forward Wisconsin staff and the Board, the Wisconsin Economic Development Agency (WEDA), and other economic development professionals, to: (1) review the current activities of Forward Wisconsin and make recommendations to the Board for strategic changes in marketing efforts; (2) improve the State of Wisconsin website to better integrate information on state incentives and make it easier to use by local economic development professionals; (3) identify needs and utilize any new resources that may be provided to initiate additional business attraction efforts.
- d. Develop an integrated process that involves WEDA members, regional groups, Commerce, and Forward Wisconsin in order to: (1) identify prospective recruitment targets; (2) develop customized marketing materials for strong industry targets; (3) compile specialized pitch packs (recruitment materials) for companies that have a high potential to locate in Wisconsin; (4) integrate Commerce and other incentives into business attraction efforts; and (5) if necessary, integrate the Governor, Secretary of Commerce and other officials as salespersons.
- e. Create strong communications and partnerships between Commerce's divisions of Business Development and Investment and Export (international), and Forward Wisconsin staff to ensure effective recruitment efforts.
- f. Utilize other Commerce and state resources to support business attraction activities.

Under the MOU, the Forward Wisconsin Board of Directors agrees to:

- a. Contract with Commerce for management services in lieu of hiring a new president of Forward Wisconsin.
- b. Provide oversight, advice, and guidance to Forward Wisconsin and Commerce staff concerning business attraction.
- c. Support fund-raising efforts.
- d. Outline criteria by which the Board will judge the success of the partnership with Commerce.
- e. Review the partnership on a periodic basis to: (1) share feedback with Commerce management; and (2) decide whether to continue, modify, or end the partnership with Commerce.

The MOU can be terminated by either the Department of Commerce or the Forward Wisconsin Board of Directors, for any cause, with 90 days notice.

## **ANALYSIS**

As introduced by the Governor, the 2007-09 biennial budget bill (2007 Senate Bill 40) included a provision that would have provided the Department of Commerce \$590,000 GPR annually in a new appropriation with 2.0 GPR positions for advertising, marketing and promotional activities in the U.S. to contribute to economic development in, and business recruitment to Wisconsin. Commerce indicated that the economic development promotion positions and funding would be used to target specific new companies in growing industries outside of Wisconsin and recruit them to locate in the state. Related targeting and recruitment activities would have included: (a) conducting targeted research of the economic strengths of Wisconsin; (b) aligning state and regional branding to the state's competitive economic strengths; (c) identifying specific companies and industries that would have their business needs met in the state; (d) coordinating and assembling teams, including local officials, to travel and make presentations to businesses; (e) demonstrating how Wisconsin meets the competitive needs of businesses, including comparisons with other states; and (f) assisting companies in resolving obstacles to relocation or expansion.

Although Commerce views such activities as complementing those of Forward Wisconsin, the Legislative Fiscal Bureau Paper prepared for the Joint Committee on Finance (Commerce--Economic Development Promotion, Paper #213, May 22, 2007) indicated that, from one view, those activities may be seen as similar to Forward Wisconsin functions. In addition to the Governor's recommendation, the paper included several alternatives that would have adjusted related state funding for Commerce or Forward Wisconsin.

The Joint Committee on Finance deleted the provision, and instead, placed \$50,000 GPR in 2007-08 and \$700,000 GPR in 2008-09 in the Committee's GPR program supplements appropriation. The \$50,000 could be released to Forward Wisconsin and the Department of

Commerce to develop a plan, within six months after release, for using the \$700,000 to attract businesses to Wisconsin. This provision was included by the Conference Committee in the final version of the budget that was passed by the Legislature, and signed by the Governor (2007 Wisconsin Act 20).

Commerce is requesting that the \$50,000 be released and placed in its aid to Forward Wisconsin appropriation, so that the Department and Forward Wisconsin can develop a coordinated plan for how to best support economic development strategies to attract businesses to the state. The Department indicates that the plan would be based on relevant data, and would evaluate opportunities to attract businesses by promoting the state's assets (such as the research capabilities of the University of Wisconsin System) effectively to interested companies and utilize state resources (such as Commerce financial assistance programs) strategically in negotiating with companies. The Department also indicates that the planning process would involve management personnel from Commerce, Forward Wisconsin, and other appropriate agencies conducting the following activities:

- a. Reviewing Commerce's Management Team Planning key strategic initiatives for the next one to three years.
- b. Developing, within Commerce and Forward Wisconsin, a more integrated team approach to the business attraction process.
- c. Clearly articulating and mapping the process for attracting businesses, from marketing to lead identification and development, to completion of projects.
- d. Establishing clearer identification of the respective roles of Forward Wisconsin and Commerce in the business attraction process.
- e. Establishing the respective responsibilities and actions for Forward Wisconsin and Commerce in best developing and implementing economic development strategies and related activities.

The planning process would include a consultant with expertise in assisting clients to improve their competitive position for attracting businesses through strategic planning and process improvement.

Commerce indicates that there is a potential range for the expenses to which the \$50,000 would be allocated. The specific amounts will be determined once the planning process is initiated. The Department estimates that the \$50,000 amount would be allocated as follows:

- a. \$20,000 (range of \$20,000 to \$30,000) for a consultant to facilitate plan development, including input from regional and local economic development entities.
- b. \$5,000 (range of \$5,000 to \$10,000) for travel and related expenses to conduct focus group sessions throughout the state to obtain suggestions and information from regional and local

economic development groups.

c. \$17,500 (range of \$15,000 to \$20,000) to initiate development of a single business attraction website to be used by the Department and Forward Wisconsin as the state's primary site for information and services for recruiting businesses to Wisconsin.

d. \$2,500 (range of \$2,500 to \$5,000) for printing and communication expenses for publishing and publicizing the coordinated business attraction plan.

As noted, the funding for developing the plan is provided in the Committee's supplemental appropriation in 2007-08. However, since the fiscal year is nearly complete, placing the funding in the aid to Forward Wisconsin appropriation in 2008-09 would allow the Department and Forward Wisconsin to develop a plan to be submitted within six months.

If the request is approved, Commerce and Forward Wisconsin would develop a plan for the use of up to \$700,000 GPR in 2008-09 to attract businesses to Wisconsin. If the request were denied, the Department and Forward Wisconsin likely would not prepare a plan to request the transfer of up to \$700,000 of supplemental funding remaining for business attraction activities in 2008-09.

## **ALTERNATIVES**

1. Transfer \$50,000 GPR from the Joint Committee on Finance's program supplements appropriation [s. 20.865(4)(a)] in 2007-08 to Commerce's appropriation for aid to Forward Wisconsin [s. 20.143(1)(bm)] in 2008-09 to fund joint development of a plan to attract businesses to Wisconsin.

2. Deny the request.

Prepared by: Ron Shanovich