

## **Committee Name:**

# **Senate Committee – Economic Development, Job Creation and Housing (SC–EDJCH)**

### **Appointments**

03hr\_SC–EDJCH\_Appt\_pt00

### **Committee Hearings**

03hr\_SC–EDJCH\_CH\_pt00

### **Committee Reports**

03hr\_SC–EDJCH\_CR\_pt00

### **Clearinghouse Rules**

03hr\_SC–EDJCH\_CRule\_03–

### **Executive Sessions**

03hr\_SC–EDJCH\_ES\_pt00

### **Hearing Records**

03hr\_ab0000

03hr\_sb0000

## **Misc.**

# 03hr\_SC–EDJCH\_\_Misc\_\_pt08

### **Record of Committee Proceedings**

03hr\_SC–EDJCH\_RCP\_pt00

## MEMORANDUM

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DATE: August 9, 2004

TO: Assembly Chief Clerk Patrick E. Fuller  
Senate Chief Clerk Robert Marchant

FROM: Jamie Wall

SUBJECT: WDF 2003-2005 Funding Distribution Plan

Enclosed is a copy of the Wisconsin Development Fund 2003-2005 Funding Distribution Plan. If you have any questions, please feel free to contact me at (608) 267-0770.

*Refer to Enc.*



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*Division of Business Development*

**WISCONSIN  
DEVELOPMENT  
FUND**

**2003-2005**

**Funding Distribution Plan**

APPROVED BY THE Wisconsin Development Finance Board

On July 26, 2004

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# CHAPTER 1

## WISCONSIN DEVELOPMENT FUND 2003-05 FUNDING DISTRIBUTION PLAN

### INTRODUCTION

Established as the state's first economic development program in 1983, the Wisconsin Development Fund (WDF) remains a vital and active resource that is heavily relied upon by the Department of Commerce as it carries out the Governor's strategic objectives. To date there have been 1794 WDF awards totaling \$199.2 million. These awards have leveraged nearly \$2.0 billion of private sector investment.

Originally consisting of only two programs, Customized Labor Training and Technology Development, the WDF fund has seen continuous change as programs have been modified, added or eliminated in order to effectively meet the needs of Wisconsin businesses. Today, the WDF fund consists of ten separate programs that can be classified into five primary areas: Entrepreneurial Development, Capital Financing, Technology Development, Training and Legislative awards.

The purpose of this plan is to review the operating results of the 2001-03 biennium and to present specific recommendations concerning the distribution of funds in the 2003-05 biennium.

### ADMINISTRATION

Housed within the Division of Business Development, the WDF fund is administered by the Bureau of Business Development. As has historically been the case, final approval of all awards rests with the nine-member Wisconsin Development Finance Board (Board), which consists of the Secretaries of Commerce and Workforce Development, the Director of the Wisconsin Technical College System and six members appointed by the Governor that represent the scientific, technical, labor, small business, financial, and minority business communities (see Exhibit B).

### NOTES

NOTE 1: The numeric information presented in this report is based upon awards made rather than funds contracted or disbursed.

# CHAPTER 2

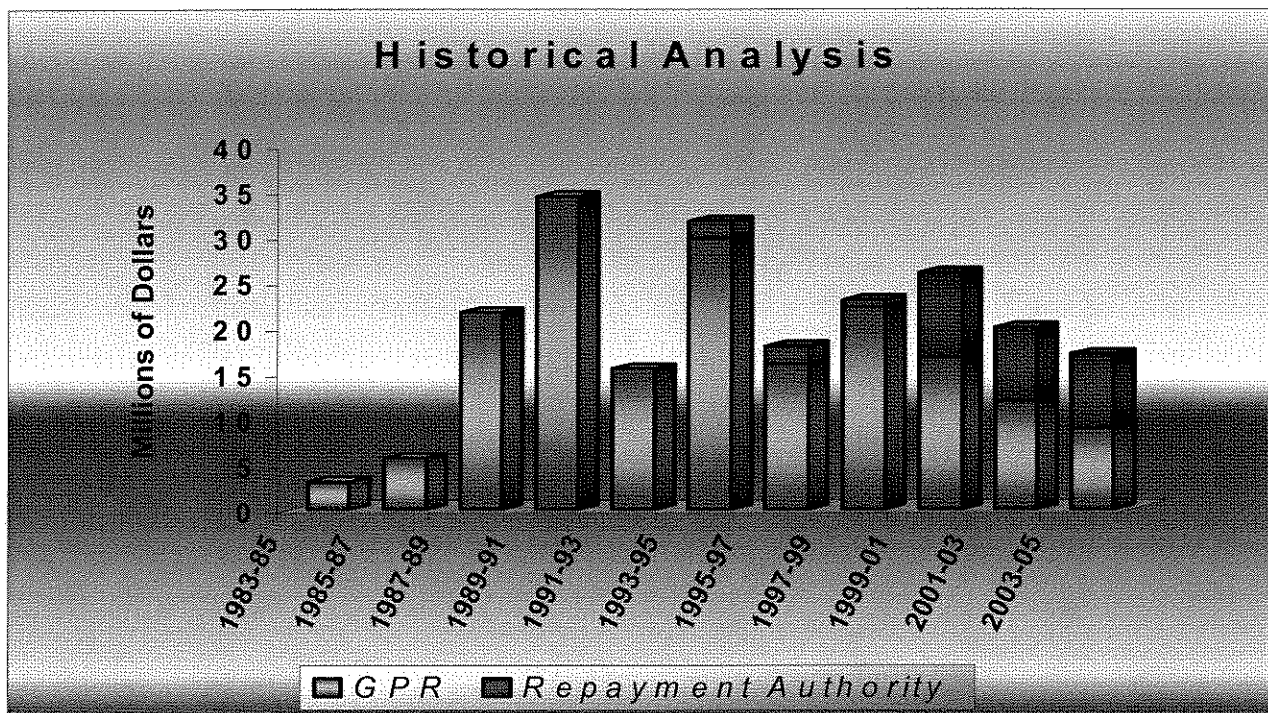
## HISTORICAL ANALYSIS

### Funding Levels:

The following Table provides a historical perspective of the funding sources for the WDF fund.

BIENNIUM	FUNDING SOURCES		TOTAL AMOUNT ALLOCATED	% CHANGE PER YEAR
	GPR	REPAYMENT AUTHORITY		
FY 2003-05	\$8,996,800	\$8,100,000	\$17,096,800	(14.5%)
FY 2001-03	\$11,907,600	\$8,100,000	\$20,007,600	(23%)
FY 1999-01	\$16,646,592	\$9,371,300 <sup>(1)</sup>	\$26,017,892	13%
FY 1997-99	\$22,293,245	\$710,000	\$23,003,245	28%
FY 1995-97	\$16,001,658	\$1,946,014	\$17,947,672	(43%)
FY 1993-95	\$29,834,745	\$1,868,790	\$31,703,535	104%
FY 1991-93	\$15,481,684	0	\$15,481,684	(55%)
FY 1989-91	\$34,423,210	0	\$34,423,210	59%
FY 1987-89	\$21,655,558	0	\$21,655,558	283%
FY 1985-87	\$5,641,750	0	\$5,641,750	86%
FY 1983-85	\$3,032,466	0	\$3,032,466	
<b>TOTAL</b>	<b>\$176,918,508</b>	<b>\$21,996,104</b>	<b>\$216,011,412</b>	

(1) In FY 1999-01, the budget authorized Commerce to utilize \$5 million in Repayments. Due to program demand, Commerce was allowed to increase its utilization to \$9,371,300.



## Awards Made:

The following table and charts provide a historical perspective on the financial and programmatic impact of the WDF fund.

WISCONSIN DEVELOPMENT FUND AWARDS							
BIENNIUM	Number of Awards	MED (1)	CLT (2)	TDF (3)	EPG (4)	OTHER (5)	\$ Amount*
FY 2001-03	796	12	125	17	606	36	\$20,392,977
FY 1999-01	379	12	125	27	186	29	\$26,017,892
FY 1997-99	114	22	47	13		32	\$23,003,245
FY 1995-97	65	22	21	5		17	\$17,947,672
FY 1993-95	124	33	58	12		21	\$31,703,535
FY 1991-93	100	25	45	14		16	\$15,481,684
FY 1989-91	95	11	50	9		25	\$34,298,210
FY 1987-89	70	10	34	20		6	\$21,655,558
FY 1985-87	23	0	10	13		0	\$5,641,750
FY 1983-85	28	0	10	18		0	\$3,032,466
<b>TOTAL</b>	<b>1794</b>	<b>146</b>	<b>523</b>	<b>145</b>	<b>788</b>	<b>177</b>	<b>\$199,174,989</b>

(1) Includes MED awards only.

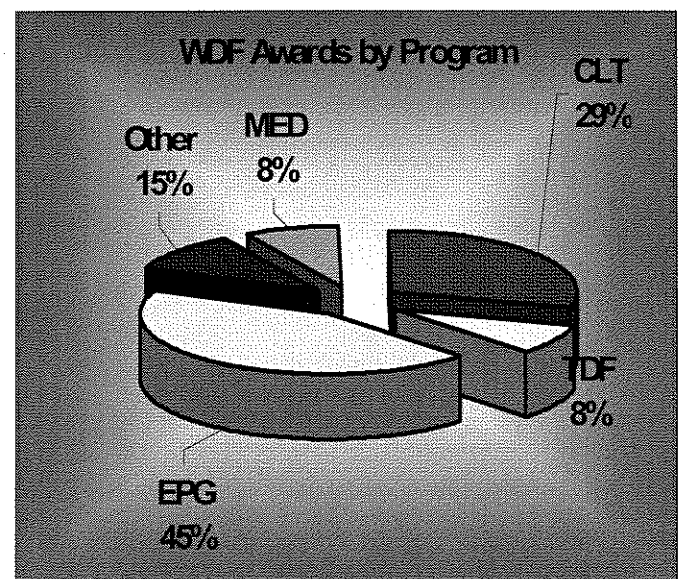
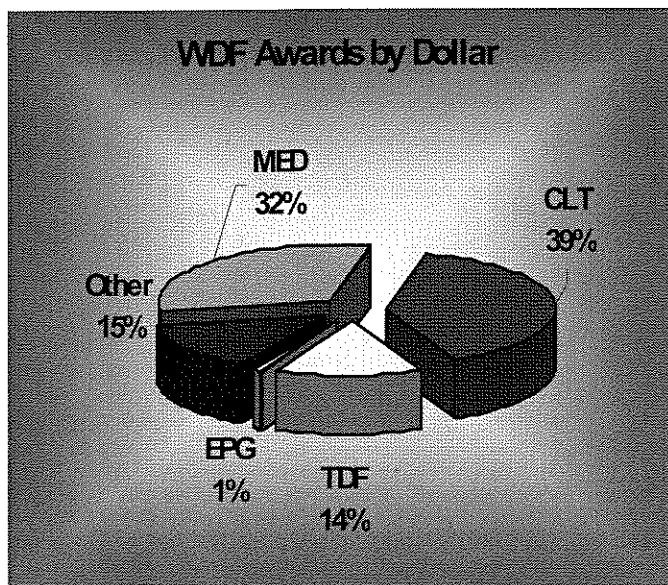
(2) Includes Customized Labor Training awards, Supplier Training awards, Business Employees' Skills Training, and CLT Assessment programs.

(3) Includes Technology Development Fund, Technology Development Loan, and Technology based Incubator.

(4) Includes Entrepreneurial Training Grant and Urban Early Planning Grant.

(5) Includes Employee Ownership awards, Rapid Response Fund, Legislative, and Wisconsin Trade Projects,

\* The numeric information presented in this report is based upon awards made rather than funds contracted or disbursed.



## 2001-03 GOALS AND RESULTS

### Funding Goals:

The following table outlines the program goals described in the 2001-03 WDF Funding Distribution Plan. A more detailed analysis of program results is provided in Chapters 4-7.

<b>2001-03 BIENNIUM RESULTS</b>				
<b>FY COMPARISON OF FUNDING GOALS TO ACTUAL AWARDS</b>				
PROGRAM AREA	ORIGINAL GOALS		ACTUAL AWARDS	
Major Economic Development (1)	\$5,530,000	30%	\$7,067,566	38%
Customized Labor Training (2)	\$6,450,000	35%	\$7,830,172	41%
Technology Development (3)	\$6,450,000	35%	\$3,935,239	21%
<b>TOTAL</b>	<b>\$18,447,600**</b>	<b>100%</b>	<b>\$18,832,977*</b>	<b>100%</b>

(1) Includes 12 MED awards, 0 Employee Ownership award 78 Urban Early Planning Grant awards, 0 Rapid Response awards, 31 Wisconsin Trade Projects and 528 Entrepreneurial Training Grant awards.

(2) Includes 95 Customized Labor Training awards, 30 Business Employees' Skill Training awards, and 6 Supplier Training awards.

(3) Includes 7 Technology Development Fund, 10 Technology Development Loan.

(\*) The numeric information presented in this report is based upon awards made rather than funds contracted or disbursed.

(\*\*) Figures are rounded.

### Programmatic Objectives:

In addition to setting spending goals for each program. The funding plan also outlined the following broad-based objectives:

- Focus on manufacturers that provide high wages and benefits.
- Expand funding for technology-based projects.
- Create partnerships with other agencies and develop new and innovative training concepts.
- Enhance entrepreneurial development opportunities and remain cognizant of the needs of small businesses.
- Focus business development in targeted areas of the state.



## **Objective I:**

***Focus on manufacturers that provide employees with high wages and benefits.***

Historically, the strength of Wisconsin's economy has been largely dependent upon the health of its manufacturing base. Although there is a continued drive to expand the diversification of Wisconsin's economy, manufacturing is still the primary factor in determining the state's overall economic health. Relative to the WDF fund, the MED and CLT programs have traditionally been targeted toward manufacturing. In fact, during the past biennium 86% of all CLT and MED awards were made to manufacturers.

In the past biennium, Commerce's emphasis on manufacturing and quality jobs has enabled the CLT and MED programs to assist in the retention, creation and training of nearly 13,000 Wisconsin workers who, on average, earned \$16.32 per hour. In addition, 98% of the businesses that received MED or CLT assistance provided health insurance benefits to their employees. (The two exceptions were a start-up business that will determine benefits as employees are hired and one non-profit entity that allows its employees to allocate money toward health insurance or take an equivalent sum in cash.)

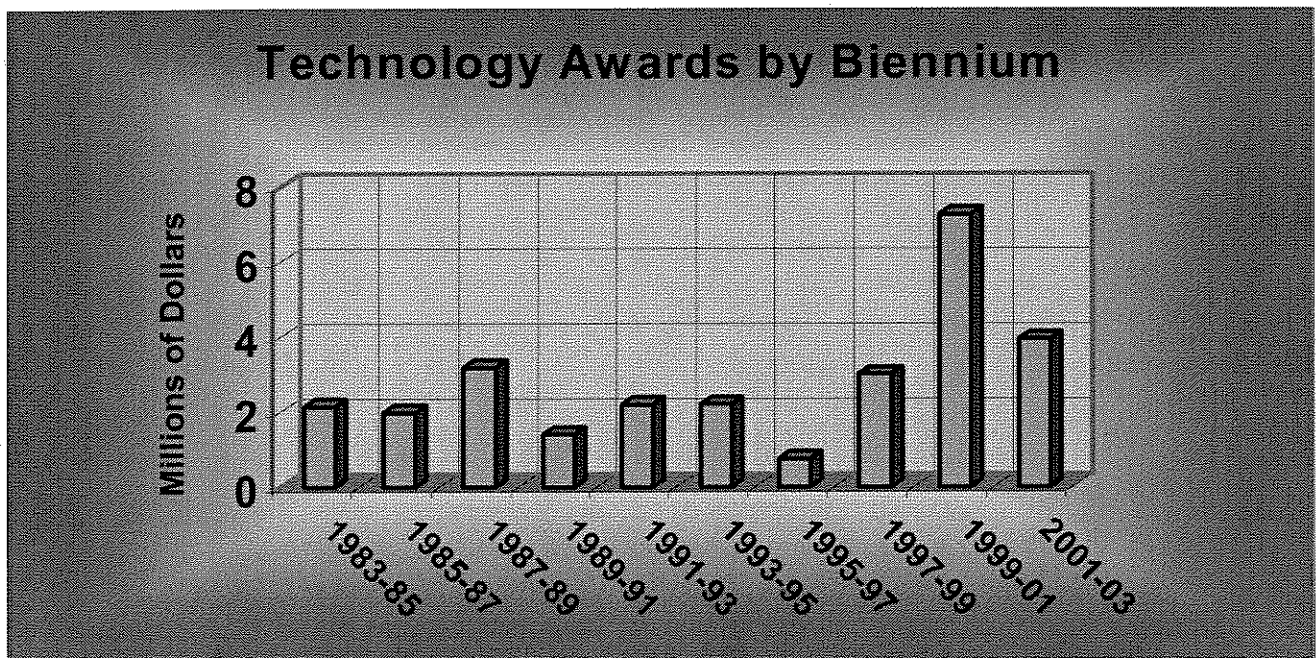
On a related note, in addition to diversifying the economy, Commerce's investment in technology related projects also leads to the creation of highly skilled positions in fields such as engineering, information technology, and scientific discovery and analysis.

## Objective II:

### *Expanded funding for technology-based projects*

Although the Board established a goal of allocating 35% of WDF funds to technology-related projects, i.e. Technology Development Fund (TDF) and Technology Development Loan (TDL), in actuality, 21% of the WDF funds were utilized for technology-related activities.

Commerce expects to see a continued expansion of its role as a provider of early stage financing for technological growth and innovation.



## **Objective III:**

### ***Create partnerships with other agencies and develop new and innovative training concepts.***

Commerce continues to expand its efforts in this area. Commerce established a partnership with the state's Small Business Development Centers to provide a tuition reimbursement program designed to help entrepreneurs. Called the Entrepreneurial Training Grant (ETG) program, this new program allows entrepreneurs to attend a course designed to assist them in developing a business plan. The ETG program can be funded from a number of sources including the WDF program. Additional information on this program is provided in Chapter 4.

Commerce also implemented the Business Employees' Skills Training (BEST) program which is designed to provide tuition reimbursements to small businesses (less than 25 employees) so that they can adequately train employees. Unlike the Customized Labor Training program, BEST is not limited to unique training. Instead, it was designed to encourage small businesses to take advantage of the training resources that are already available throughout the state. Additional information on this program is provided in Chapter 6.

Commerce also demonstrated its commitment to training by expanding the eligibility criteria of other non-WDF programs. This effort was most notable in the Community Development Block Grant (CDBG) program.

Commerce believes that Wisconsin's best asset is its people. In order to maintain the nationally recognized quality of Wisconsin's workforce, Commerce will continue to evaluate new and innovative ways of expanding training opportunities.

## Objective IV:

**Enhance entrepreneurial development opportunities and remain cognizant of the needs of small businesses.**

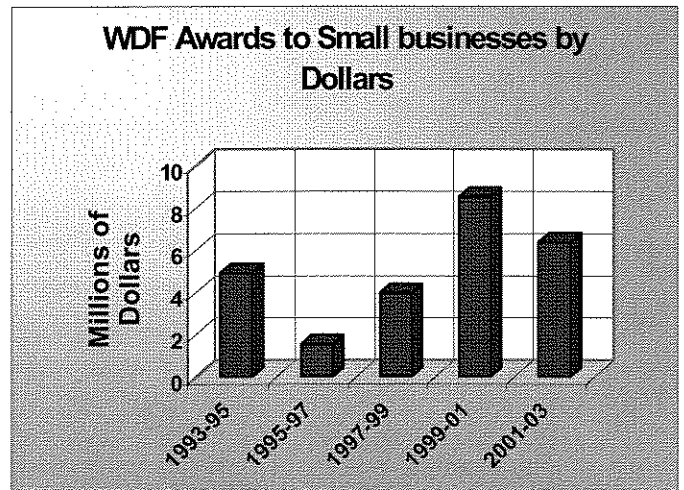
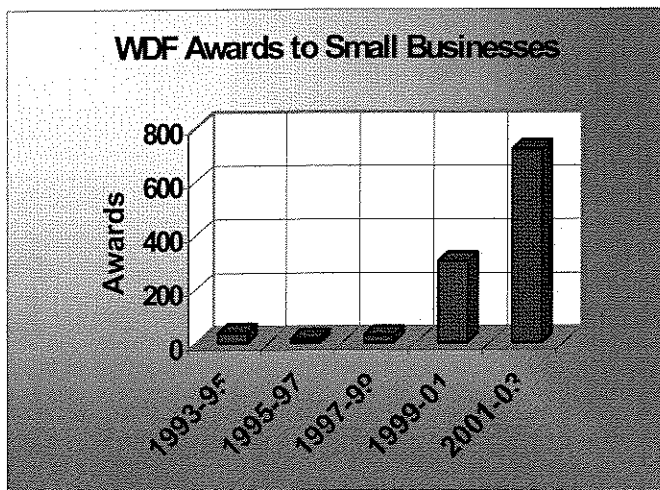
In recognition of the contribution that small businesses have on the overall economic well being of Wisconsin's economy, Commerce offers a wide variety of programs for entrepreneurs. Those that can be funded through the WDF fund include the Entrepreneurial Training Grant program, Business Employees Skills Training program, Customized Labor Training, Technology Development and the Urban Early Planning Grant program. Commerce also has numerous programs outside of the WDF fund that are designed to assist small businesses. A more detailed discussion of entrepreneurial development opportunities is found in Chapter 4.

The following tables and charts demonstrate Commerce's commitment to small business development:

<b>WDF AWARDS TO SMALL BUSINESSES (1)</b>				
Biennium	Number of Small Business Awards	Percentage of Awards to Small Businesses	Dollars Awarded To Small Businesses	Percentage of Dollars to Small Businesses
2001-03	720	90%	\$6,361,155	31%
1999-01	*303	80%	\$8,532,902	33%
1997-99	28	25%	\$3,981,597	17%
1995-97	14	25%	\$1,541,585	8%
1993-95	37	33%	\$4,941,376	19%

(1) Small Business is defined as a 100 or fewer employees or sales less than \$10 million.

(\*) Includes the introduction of three new programs: BEST (52), ETG (153), and UEPG (33).



It should be noted that Commerce's commitment to small business is not limited solely to the WDF program. In fact, as can be seen in the following tables, the WDF program represents only a portion of Commerce's assistance to small businesses.

2001-03 Biennium NON WDF AWARDS TO SMALL BUSINESSES		
Type of Award Given	Number of Small Business Awards	Dollars Awarded To Small Businesses
Capital Financing	102 <sup>(1)</sup>	\$9,730,280
Entrepreneurial Development	296 <sup>(2)</sup>	\$1,029,565
Training	438 <sup>(3)</sup>	\$399,418
<b>TOTAL</b>	<b>836</b>	<b>\$11,159,263</b>

- (1) Includes (13) MBD awards, (15) CDBG-ED awards, (2) Recycling awards, (2) Economic Impact, (9) Economic Diversification, (2) BDIL awards, (8) Phase III RED awards, (28) SEL awards, and (23) Milk Volume Production awards.
- (2) Includes (69) Phase I and Phase II RED awards, (124) DRY awards, (78) MEPG awards, (10) BDI awards, (7) Economic Impact Early Planning Grant awards, (2) Economic Diversification Planning grants, (5) Recycling Planning Grants, and (1) Forestry Education Grant awards.
- (3) Includes (17) BEST awards, (420) ETG awards, and (1) Dairy Environmental Quality project.

2001-03 AWARDS TO SMALL BUSINESSES ALL PROGRAMS ADMINISTERED BY THE DIVISION OF BUSINESS DEVELOPMENT				
All Programs	Number of Small Business Awards	Percentage of Awards to Small Businesses	Dollars Awarded To Small Businesses	Percentage of Dollars to Small Businesses
FY2001-03	1,556	93%	\$17,520,418	42%
FY 1999-01	980	88%	\$18,943,766	42%
FY 1997-99	615	85%	\$12,324,103	31%
<b>TOTAL</b>	<b>3,151</b>		<b>\$48,788,287</b>	

## **Objective V:**

*Focus business development in targeted areas of the state.*

Distressed areas include counties that meet two or more of the following criteria:

- High unemployment
- Low median household income
- High percentage of population eligible for W2
- Declining populations
- Declining property values
- Recent announcements concerning major workforce displacements
- Designated as a Community Development Zone

Working closely with community and company officials, Commerce will continue to focus on targeted areas of the state.

# CHAPTER 4

## ENTREPRENEURIAL DEVELOPMENT

**INTRODUCTION:** Clearly, all of Commerce's economic development programs enhance entrepreneurial development opportunities. However, for the purposes of this report, the programs included within the Entrepreneurial Development classification are limited to programs that assist individuals during the planning stage of their development project.

From a historic perspective, the first program designed to cover costs associated with developing a business plan was the Employee Ownership program, which was created in 1987. Recognizing the benefit of assisting entrepreneurs, an early planning grant program was incorporated into the Rural Economic Development (RED) fund when it was created in 1989 and the Minority Business Development (MBD) fund that was created in 1991.

Although these programs assisted entrepreneurs, certain program restrictions limited their application. For example, the RED program cannot be used in Wisconsin's urban areas. With the goal of establishing a statewide program, the Urban Early Planning Grant (UEPG) was added to the WDF fund in 1999.

Although Wisconsin's entrepreneurial community has enthusiastically received these programs, such enthusiasm has come at a time when there is increased demand for funding. This demand has in turn forced Commerce to evaluate less costly alternatives that provide similar benefits to the entrepreneur. As a result of this evaluation, Commerce partnered with the state's Small Business Development Center (SBDC) to create the Entrepreneurial Training Grant (ETG) program.

Given the success of the SBDC partnership with the ETG program, Commerce is expanding its partnership with SBDC to establish a new pilot program, PeerSpectives™. PeerSpectives™ will provide a training forum for new entrepreneurs to learn from each other's experiences in starting and operating new businesses.

The recommendations that follow are designed to create a set of complimentary programs, EPG, ETG, and PeerSpectives™ that can assist the wide variety of entrepreneurs found in Wisconsin. Furthermore, the recommendations found in the WDF Funding Distribution Plan concerning entrepreneurial development mimic the recommendations being made to the Rural Economic Development Board and the Minority Business Development Board.

A detailed discussion of program activities and recommendations follows:

## **EMPLOYEE OWNERSHIP PROGRAM**

**BACKGROUND:** Founded in 1987, the Employee Ownership Program became part of WDF in 1991. The program is designed to provide assistance to the employees of a company that is closing. Specifically, the program is designed to enable the employee group to hire the professional services necessary to investigate the feasibility of purchasing the business and operating it as an employee owned business.

**FY 2001-03 RESULTS:** In the 2001-03 biennium, there were no EOP awards.

<b>EMPLOYEE OWNERSHIP PROGRAM AWARDS</b>			
<b>BIENNIUM</b>	<b>AMOUNT</b>	<b>NUMBER</b>	<b>AVERAGE AWARD SIZE</b>
FY2001-03	\$0	\$0	\$0
FY 1999-01	\$15,000	1	\$15,000
FY 1997-99	\$22,500	2	\$11,250
FY 1995-97	\$55,962	3	\$18,654
FY 1993-95	\$111,250	5	\$22,250
FY 1991-93	\$123,000	4	\$30,750
FY 1989-91	\$35,000	1	\$35,000
FY 1987-89	\$50,000	1	\$50,000
<b>TOTAL</b>	<b>\$412,712</b>	<b>17</b>	<b>\$24,277</b>

**PORTFOLIO ANALYSIS:** The EOP was designed to require repayment only in those circumstances where an employee buy out was successful. Of the 17 awards made, only 1 had resulted in a buyout. As of August 22, 2001, one award had been cancelled, one withdrawn, 14 projects did not move forward with buyout after study was performed.

**RECOMMENDATION:** Commerce recommends that the EOP program be included as part of Commerce's overall Early Planning Grant program and that for reporting purposes it be included in the Entrepreneurial Development category. **See Exhibit A-2**

## **URBAN EARLY PLANNING GRANT (UEPG)**

**BACKGROUND:** This program, which was established in 1999, allows Commerce to make grants to entrepreneurs to cover a portion (up to 75%) of the cost of having an independent third party put together a business plan. Although grants of up to \$15,000 can be made, Commerce limits the award to \$3,000 unless the project can demonstrate that it will have a statewide impact. When combined with the Rural Early Planning Grant program, the UEPG allows Commerce to offer early planning grants to entrepreneurs throughout the state. By statute, Commerce may not award more than \$250,000 in grants under this program during the biennium.



**FY 2001-03 RESULTS:** In the 2001-03 biennium, 78 UEPG's were awarded totaling \$221,386.

<b>URBAN EARLY PLANNING GRANTS</b>			
<b>BIENNIUM</b>	<b>AMOUNT</b>	<b>NUMBER</b>	<b>AVERAGE AWARD</b>
FY2001-03	\$221,386	78	\$2,838
FY 1999-01	\$104,409	33	\$3,163
<b>TOTAL</b>	<b>\$325,795</b>	<b>111</b>	<b>\$2,935</b>

**PORTFOLIO ANALYSIS:** Commerce surveys all early planning grant recipients at the 18-month anniversary of the award.

Notwithstanding the above, of the 78 awards made, 5 were for retail businesses, 35 for manufacturing, 35 for service related, 1 for agriculture, 1 for construction, and 1 for purchasing an existing business.

**RECOMMENDATION:** Commerce believes that the Early Planning Grant program is critical to the state's overall effort to expand entrepreneurial development opportunities. At the same time, Commerce is cognizant of the limited funds available and the importance of focusing its support on manufacturing and technology development. Therefore, in an effort to maximize its return on investment, Commerce recommends that the Board focus on those businesses that fall within a designated business cluster. The list of Commerce-designated clusters, revised in late 2003, includes:

- Biotechnology
- Dairy
- Food Products
- Information Technology
- Medical Devices
- Paper
- Plastics
- Printing
- Small Engine Manufacturing
- Tourism

It should be noted that activities falling outside these clusters could still receive assistance from Commerce through the Entrepreneurial Training Grant (ETG) program. As discussed below, under the ETG program, an entrepreneur could receive a grant to off-set a portion of the cost (typically 75%) to attend a course put on by the Small Business Development Center, that is specifically designed to assist entrepreneurs in developing comprehensive business plans.

## ENTREPRENEURIAL TRAINING GRANT

**BACKGROUND:** Established in June 2000, The Entrepreneurial Training Grant (ETG) program was designed to help individual entrepreneurs and small businesses throughout Wisconsin obtain the professional services necessary to evaluate the feasibility of a proposed start-up or expansion. Under the ETG program, Commerce can provide applicants with a grant to help cover a portion of the cost of hiring a qualified, independent third party to develop a comprehensive business plan. In addition to formalizing an entrepreneur's goals and objectives, a well-prepared business plan is critical to the applicant's ability to attract the capital financing necessary for the business to be successful.

**FY 2001-03 RESULTS:** In the 2001-03 biennium, the Board made 528 ETG awards totaling \$402,330.

ENTREPRENEURIAL TRAINING GRANT			
BIENNIUM	AMOUNT	NUMBER	AVERAGE AWARD SIZE
FY2001-03	\$402,330	528	\$762
FY 1999-01	\$106,172	153	\$693
<b>TOTAL</b>	<b>\$508,502</b>	<b>681</b>	<b>\$747</b>

**PORTFOLIO ANALYSIS:** Commerce surveys all early planning grant recipients at the 18-month anniversary of the award.

Notwithstanding the above, of the 528 awards made, 122 were for retail businesses, 42 for manufacturing, 314 for service related, 6 for agricultural, 30 for construction, 11 for finance, and 3 for wholesale businesses.

**RECOMMENDATION:** To date, ETG eligibility has been limited to training provided by the state's Small Business Development Center's. Commerce recommends that the list of eligible providers be expanded to include CAP Agencies and other service providers that meet standards developed by Commerce.

However, it is important to note that it is not the intent of Commerce to create artificial competition or to dilute the SBDC's program. As such, this recommendation to expand the list of eligible providers would be limited to entities providing eligible services in geographic areas that are determined to be under-served by the Small Business Development Centers.

## ENTREPRENEURIAL TRAINING PILOT PROGRAM

**BACKGROUND:** Building on the success of its partnership with UW Extension's Small Business Development Center (SBDC) on the ETG program, Commerce is expanding its entrepreneurial training program to launch a pilot program called PeerSpectives™. This initiative is a collaboration between Commerce, SBDC, and the Edward Lowe Foundation, in which the SBDC would organize peer-collaboration sessions for entrepreneurs throughout the state, leveraging the financial and technical support of the Lowe Foundation.

In the summer of 2003, the Edward Lowe Foundation, one of the nation's leading philanthropic organizations focused on promoting entrepreneurship, invited the UW-Extension Small Business Development Center and statewide partners to hold a statewide strategic planning session at its headquarters in Cassopolis, Michigan. The planning session was attended by representatives of Commerce, SBDC, the Wisconsin Technical College System, the Wisconsin Department of Agriculture, the UW-Madison Office of Corporate Relations, several UW Engineering Colleges, and private businesses. This initiative is one outgrowth of that retreat.

The Lowe Foundation believes that one of the primary barriers to entrepreneurship and entrepreneurial success is a lack of peer support and counseling. They have selected Wisconsin as a national pilot for their new PeerSpectives™ program, designed to fill this gap. The SBDC, working with Lowe, will organize groups of entrepreneurs around the state who will meet on a monthly basis to discuss the challenges facing their businesses and identify resources to address them.

Commerce requests that it provide 75% of the \$1,500 tuition costs of firms participating in PeerSpectives™ from the WDF for the first year of the program. Such support would enable the SBDC and partner organizations to quickly organize and carry out a new entrepreneurial support initiative. This is a strategic approach to utilizing the strengths of second-stage, growth businesses and the capabilities of Wisconsin's academic institutions and partner agencies and organizations. By providing first-year support to encourage entrepreneurs to participate, Commerce will help support this pioneering initiative and enable Wisconsin entrepreneurs to benefit from peer-to-peer learning.

The initiative would be based on five campuses (UW-Whitewater, UW-Madison, UW-Stevens Point, UW-La Crosse and UW-Green Bay) in the first year of operation but expand to cover the rest of the state subsequently.

**RECOMMENDATION:** Commerce recommends that the PeerSpective™ pilot program be included as part of Commerce's overall Entrepreneurial Development program area and that for reporting purposes it be included in the Entrepreneurial Development category. Funding would come from the Major Economic Development program. Initial pilot eligibility will be limited to training coordinated by the state's Small Business Development Centers.

## CHAPTER 5

### CAPITAL FINANCE

#### MAJOR ECONOMIC DEVELOPMENT

**BACKGROUND:** Founded in 1987, the MED program can provide financing for projects that involve a significant level of capital investment or will lead to significant job retention/creation.

**FY 2001 - 2003 RESULTS:** In the 2001 -2003 biennium, the Board made 12 MED awards totaling \$6.3 million. These funds leveraged nearly \$150 million of private sector investment, retained 3,364 existing positions and created 1,494 new jobs within Wisconsin.

<b>MAJOR ECONOMIC DEVELOPMENT AWARDS</b>			
<b>BIENNIUM</b>	<b>AMOUNT</b>	<b>NUMBER</b>	<b>AVERAGE AWARD SIZE</b>
FY 2001-03	\$6,288,850	12	\$524,071
FY 1999-01	\$5,205,605	12	\$433,800
FY 1997-99	\$10,359,745 <sup>(1)</sup>	22	\$470,897
FY 1995-97	\$7,884,000	22	\$358,363
FY 1993-95	\$16,385,982	33	\$496,544
FY 1991-93	\$7,075,000	25	\$283,000
FY 1989-91	\$5,920,000	11	\$538,181
FY 1987-89	\$4,183,100	10	\$418,310
<b>TOTALS</b>	<b>\$63,302,282</b>	<b>147</b>	<b>\$430,628</b>

(1) Includes \$3 million to Golden Books Family Entertainment, Inc.

**PORTFOLIO ANALYSIS:** As of September 10, 2003, the MED program had 46 loans outstanding, with an aggregate outstanding balance totaling \$16.2 million. Approximately 89% of MED loans are current on their payments, representing 97% of the total MED outstanding balance. The remaining balance (\$551,680) is 90 days past due, which is comprised of 4 loans. These awards are Newell Operating Company, dba EZ Painter, American Coating Technology, Inc, Louis Allis Company, Inc., and Pelton Casteel, Inc.

Of the 147 MED awards historically approved, 23 were grants (3 of which were cancelled or withdrawn) and 124 were loans.

Of the 124 loan awards made, 46 are open loans (16 are subject to forgiveness, 3 have not yet entered repayment, 22 are current in repayment, 1 is past due less than 90 days, and 4 are past due over 90 days). The remaining awards were withdrawn or cancelled (25), forgiven (16), repaid (28), written off as uncollectable (6), or have not yet executed a contract (3).

**RECOMMENDATION:** Commerce recommends that the MED program be classified as part of the Capital Finance group and that the Board allocated 27.5% of the WDF funds for Capital Finance projects. **See Exhibit A-2.**

## WISCONSIN TRADE PROJECTS

**BACKGROUND:** Established in the 1995-97 biennium, the Wisconsin Trade Show Grant program was designed to encourage Wisconsin companies to seek out new international markets. The program's primary purposes is to encourage smaller Wisconsin companies (less than \$25 million in sales) to become exporters and to assist existing small exporters find new markets. The program allows companies to be reimbursed for up to \$5,000 for expenses incurred to participate in an approved trade show. The International Division administers this program internally within the Department of Commerce.

WISCONSIN TRADE PROJECTS			
BIENNIUM	AMOUNT*	NUMBER	AVERAGE AWARD SIZE
FY2001-03	\$155,000	31	\$5,000
FY 1999-01	\$103,293	23	\$4,491
FY 1997-99	\$108,149	23	\$4,702
FY 1995-97	\$58,000	12	\$4,833
<b>TOTAL</b>	<b>\$424,442</b>	<b>89</b>	<b>\$4,769</b>

\*This amount represents the total amount awarded during the biennium, although some of these awards may have been withdrawn or not fully funded. Total reimbursement under this program was \$101,048.42 during the 2001-03 biennium.

**PORTFOLIO ANALYSIS:** During the 2001-03 biennium, 31 awards were made, although 2 were withdrawn. Of the remaining 29 awards, 6 had not yet drawn funds, and 23 attended their trade show and withdrew funds.

**RECOMMENDATION:** As statutorily authorized, this program will continue to be funded by WDF. Statute 560.167 allows the Department to make reimbursements totaling no more than \$100,000 in a fiscal year to eligible businesses.

## RAPID RESPONSE FUND

**BACKGROUND:** The Rapid Response Fund was established in 1997 and authorizes the Department of Commerce to utilize the WDF fund to make loans to businesses. The purpose of the fund is to allow Commerce to react quickly and assist projects that have the potential to mitigate the impact of a possible or actual plant closing. No awards were made in the 2001-03 biennium.

**FY 2001-03 RESULTS:** During the 2001-03 biennium, no awards were given for this program.

<b>RAPID RESPONSE FUND PROGRAM AWARDS</b>			
<b>BIENNIUM</b>	<b>AMOUNT</b>	<b>NUMBER</b>	<b>AVERAGE AWARD SIZE</b>
FY 2001-03	\$0	0	\$0
FY 1999-01	\$0	0	\$0
FY 1997-99	\$600,000	1	\$600,000
<b>TOTAL</b>	<b>\$600,000</b>	<b>1</b>	<b>\$600,000</b>

**PORTFOLIO ANALYSIS:** The only award under this program to date was made to Larson Juhl, Inc., Ashland, Wisconsin. The \$600,000 award was made under the Rapid Response Program on April 19, 1999. The award is a 0% interest loan for a 10-year period with possible forgiveness determined by the number of positions maintained and created by December 31, 2003. Larson-Juhl, Inc. invested approximately \$6 million to construct a new 127,000 square foot facility in the Ashland Industrial Park. The Rapid Response Funds were used to purchase air emissions control equipment. One hundred and twenty-eight positions were retained as a result of the project.

## REVOLVING LOAN FUND CAPITALIZATION PROGRAM

**BACKGROUND:** The Revolving Loan Fund Capitalization grant program, established under Wisconsin Statutes Chapter 560.145, allows the Department to make a grant to help establish a revolving loan fund that will promote local or regional economic development. The Department may not award more than \$500,000 during the biennium. No awards have been made under this program.

## TRAINING

### CUSTOMIZED LABOR TRAINING

**BACKGROUND:** First authorized in 1983, the CLT program provides grants to businesses to help cover the cost of training employees on new technologies, industrial skills or manufacturing processes. The Board established guidelines under which the CLT program could provide the lesser of 50% of the eligible training costs, or \$2,500 per employee. The CLT program has historically played a vital role in assisting Wisconsin manufacturers to maintain their position on the leading edge of technological innovation.

**FY 2001-03 RESULTS:** In 2001-03, the Board made 95 CLT awards totaling \$7.8 million. These awards leveraged nearly \$16 million of private sector investment, upgraded the skills of 4,855 existing employees and trained 3,249 new employees.

<b>CUSTOMIZED LABOR TRAINING AWARDS</b>			
<b>BIENNIUM</b>	<b>AMOUNT</b>	<b>NUMBER</b>	<b>AVERAGE AWARD SIZE</b>
FY2001-03	\$7,756,943	95	\$81,652
FY 1999-01	\$9,362,703	73	\$128,256
FY 1997-99	\$6,454,322	41	\$157,422
FY 1995-97	\$9,088,748 <sup>(1)</sup>	21	\$432,797
FY 1993-95	\$5,461,293 <sup>(2)</sup>	35	\$156,036
FY 1991-93	\$3,103,656	37	\$83,883
FY 1989-91	\$20,809,200 <sup>(3)</sup>	43	\$483,934
FY 1987-89	\$12,010,600 <sup>(4)</sup>	34	\$353,252
FY 1983-85	\$898,800	10	\$89,880
FY 1985-87	\$3,658,000 <sup>(5)</sup>	10	\$365,280
<b>TOTAL</b>	<b>\$78,604,265</b>	<b>399</b>	<b>\$197,003</b>

(1) Includes \$6 million to Chrysler.

(2) Includes \$2 million to Chrysler

(3) Includes \$6.76 million to GM, \$2.9 million to A.O. Smith, \$1.5 million to Supervalu, \$1.1 million to Kohl's, and \$1.1 million to Wisconsin Tissue.

(4) Includes \$6.15 million to GM and \$3.1 million to Delco Electronics

(5) Includes \$3 million special legislative appropriation for AMC.

**PORTFOLIO ANALYSIS:** The CLT program has had 399 awarded projects move forward, totaling over \$78 million. All training projects have been determined to be successful to date.

**DISCUSSION:** Training has become an important request in companies applying for assistance. Future training needs will continue to be addressed by the CLT program, however additional programs are being reviewed to assist in this function. Examples of other programs under review include the Community Development Block Grant program, and the Department of Workforce Development TANF funds.

**RECOMMENDATION** Commerce recommends that the Board allocate 35% of the WDF funds to training projects. **See Exhibit A-2.**

## **BUSINESS EMPLOYEES' SKILLS TRAINING**

**BACKGROUND:** The Business Employees' Skills Training (BEST) program was established by the Wisconsin Legislature to help small businesses in industries that are facing severe labor shortages upgrade the skills of their workforce. Under the BEST program, Commerce can provide applicants with a tuition reimbursement grant to help cover a portion of the costs associated with training employees.

The BEST program was established in a manner that allows projects to be funded from several program areas. For example, if the project is located in a rural area, it could be funded under the RED program, if the applicant was also a minority owned businesses, it could be funded under either the RED or MBD programs.

To date, the WDF fund has only been used for those projects that do not meet the eligibility criteria of any of the other programs administered by Commerce.

<b>BUSINESS EMPLOYEES' SKILLS TRAINING</b>			
<b>BIENNIUM</b>	<b>AMOUNT</b>	<b>NUMBER</b>	<b>AVERAGE AWARD SIZE</b>
FY 2001-03	\$73,229	30	\$2,441
FY 1999-01	\$132,095	52	\$2,540
<b>TOTAL</b>	<b>\$205,324</b>	<b>82</b>	<b>\$2,504</b>

**PORTFOLIO ANALYSIS:** Much like the EPG and ETG programs, BEST projects are also surveyed in a manner that will allow Commerce to evaluate the effectiveness of the program.

Of the 30 awards, 1 was made to a retail business, 14 to manufacturers, 13 to services industries, 1 to an agricultural services, and 1 to a finance service.



**RECOMMENDATION:** Created by the State Legislation statute 560.155, BEST has the potential to significantly impact the availability of WDF funds. Commerce recommends that the Board limit focus on those businesses that fall within a designated business cluster. The list of Commerce-designated clusters, revised in late 2003, includes:

- Biotechnology
- Dairy
- Food Products
- Information Technology
- Medical Devices
- Paper
- Plastics
- Printing
- Small Engine Manufacturing
- Tourism

## TECHNOLOGY

### TECHNOLOGY DEVELOPMENT FUND (TDF)

**BACKGROUND:** Founded in 1983, the TDF program funds technical research to develop new, or improve existing products or processes. The program was originally administered as a grant. However, in the 1985-87 biennium it was converted to a forgivable loan that required repayment only if the project was a commercial success. The repayment criteria have been modified over time but have historically been based upon the concept of royalties. The current repayment provision requires recipients to repay the loan at 4%, however if the project is not successful, the loan can be forgiven.

**FY 2001-03 RESULTS:** In 2001-03, the Board made 7 TDF awards totaling \$1.9 million.

<b>TECHNOLOGY DEVELOPMENT FUND AWARDS</b>			
BIENNIUM	AMOUNT	NUMBER	AVERAGE AWARD AMOUNT
FY 2001-03	\$1,922,000	7	\$274,571
FY 1999-01	\$3,854,055*	12	\$321,171
FY 1997-99	\$807,100	5	\$161,420
FY 1995-97	\$743,762	5	\$148,762
FY 1993-95	\$2,229,716	12	\$185,809
FY 1991-93	\$2,191,152	14	\$156,511
FY 1989-91	\$1,432,671	9	\$159,186
FY 1987-89	\$3,182,749	20	\$159,137
FY 1985-87	\$1,983,750	13	\$152,596
FY 1983-85	\$2,133,690	18	\$118,538
<b>Total</b>	<b>\$20,510,645</b>	<b>115</b>	<b>\$178,353</b>

\* Represents \$2,000,000 award given to Marshfield Clinic.

**PORTFOLIO ANALYSIS:** As of June 30, 2003, the board has approved 115 TDF awards. Of the 115 awards historically made through the TDF program, 19 awards were withdrawn and 26 of these awards were grants. Of these 25 grant awards, 11 were successful, 8 reported their research was not successful, and 6 are too new to report activity status. Of the remaining 71 awards, 9 are in repayment, 11 have research in progress, 6 have repaid, 1 has been referred to the Department of Justice for collection, and 44 were determined by the company to be

unsuccessful. Of these 44 unsuccessful awards, 18 finished the research, however were unable to successfully commercialize their product.

**RECOMMENDATION:** Commerce recommends that the Board allocate 35% of the WDF funds for technology related projects. **See Exhibit A-2.**

## TECHNOLOGY DEVELOPMENT LOAN

**BACKGROUND:** This program, which was established in the 1993-95 biennium, is designed to provide financial assistance to successful graduates of the TDF program. The program was developed in recognition of the fact that even after developing a new technology, many businesses are unable to bring their products to market. The goal of the program is to provide seed capital that will leverage private sector investment and assist entrepreneurs develop manufacturing operations. The first award was made during the 1997-99 biennium.

**FY 2001-03 RESULTS:** The Board made 10 TDL loans in FY 2001-03 for \$2.0 million.

TECHNOLOGY DEVELOPMENT LOAN AWARDS			
BIENNIUM	AMOUNT	NUMBER	AVERAGE AWARD SIZE
FY2001-03	\$2,013,239	10	\$201,324
FY 1999-01	\$3,433,910	15	\$209,565
FY 1997-99	\$2,246,500	8	\$280,813
<b>TOTAL</b>	<b>\$7,693,649</b>	<b>33</b>	<b>\$233,141</b>

**PORTFOLIO ANALYSIS:** As of June 30, 2003, the TDL program has made 33 awards totaling \$7.7 million.

Of the 33 awards, 3 have been withdrawn. Of the 30 loans, 3 have paid off (10%), 24 are current (80%) with a balance totaling nearly \$4.0 million, one loan is in default (3.3%), one loan (3.3%) has been referred to the Department of Justice for collection, and 1 (3.3) is a grant.

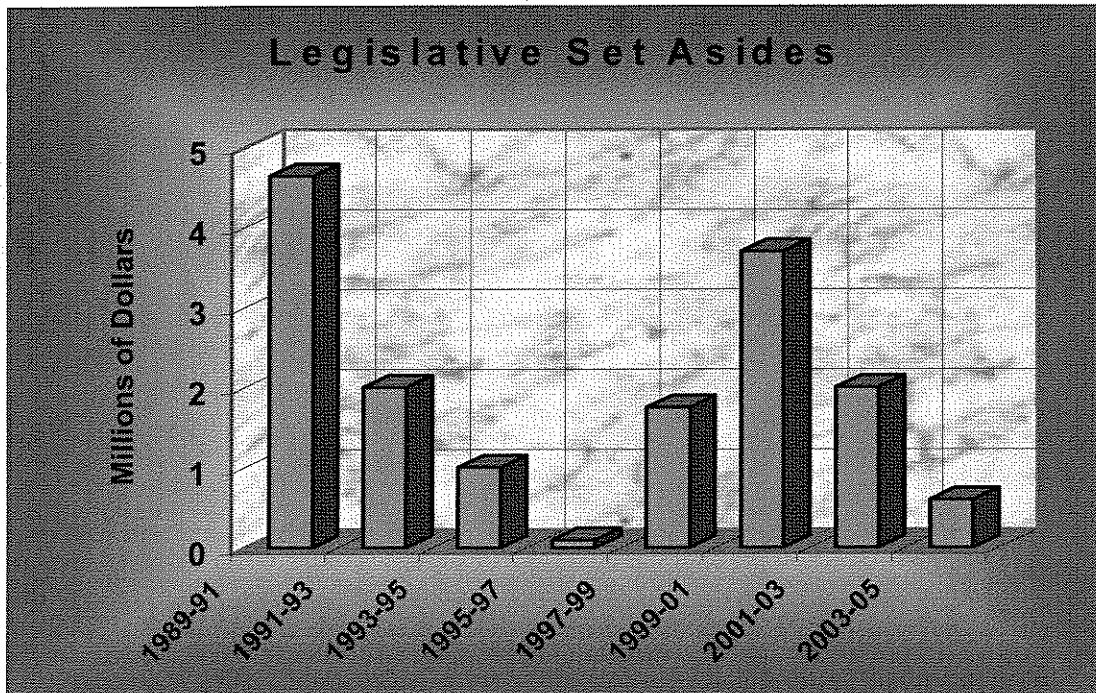
**RECOMMENDATION:** Commerce recommends that the Board include this program in the 35% allocated for technology related awards. **See Exhibit A-2.**

**LEGISLATIVE SET-ASIDES**

Since 1989, the legislature has directed that Commerce fund certain projects through the WDF fund.

<b>Legislative Set Asides</b>		
<b>Biennium</b>	<b>Number</b>	<b>Amount</b>
FY 2003-05*	4	\$600,000
FY 2001-03	6	\$2,085,000
FY 1999-01	5	\$3,700,000
FY 1997-99	5	\$1,750,000
FY 1995-97	1	\$100,000
FY 1993-95	4	\$1,000,000
FY 1991-93	4	\$2,000,000
FY 1989-91	9	\$4,650,000
<b>TOTALS</b>	<b>34</b>	<b>\$15,285,000</b>

\*In the 2003-05 biennium budget, the Legislature allowed for a Plant Closing award, the amount to be specified at a later date. This award is included in the number total above.



## **LEGISLATIVE AWARDS IN THE 2001-03 BIENNIUM**

In the 2001-03 Biennium, legislative awards funded through WDF were: Urban Hope, The Manufacturing Advanced Technology Center (known as The Center for Advanced Technology and Innovation, Inc. in Racine), Manufacturing and Productivity (WCMP), and the United Community Center.

### **URBAN HOPE**

**BACKGROUND:** Commerce was directed to make a grant of \$100,000 annually from the WDF to a nonprofit organization that provides assistance to organizations and individuals in urban areas (Reggie White's Urban Hope Initiative). State funding is matched by private funds. The funds must be used in accordance with a memorandum of understanding with the Department of Administration that specifies how the funds are to be allocated for assistance.

**PROJECT EVALUATION:** Urban Hope has drawn \$140,000 and has until December 31, 2003 to draw the remaining balance. The project was for providing assistance to organizations and individuals in the Beloit and Green Bay. The project is on-going.

### **MANUFACTURING ADVANCED TECHNOLOGY CENTER**

**BACKGROUND:** Commerce was directed to make a grant to a consortium to establish a manufacturing technology training center in Racine. Up to \$100,000 annually for two years was allocated for the continued development of the Center.

**PROJECT EVALUATION:** All funds were drawn. The Center for Advanced Technology and Innovation, Inc. construction was completed. The grand opening was held in July 2003. The Center is operational.

### **MANUFACTURING AND PRODUCTIVITY**

**BACKGROUND:** The 2001-03 Budget bill contained legislation (§560.25) in which the Department may make a grant of up to \$1 million per fiscal year to a technology based nonprofit organization to provide support for a manufacturing extension center. WCMP, a non-profit, tax-exempt corporation, is a cooperative venture of industry, labor, education, and government established to promote the competitiveness, strength, productivity, growth and innovative capabilities of Wisconsin's small and medium-sized manufacturers. Participants include the Wisconsin Technical College System, the University of Wisconsin-Extension and the Wisconsin Department of Commerce, and the National Institute of Standards and Technology. Its mission is to transfer technology to businesses in Wisconsin to strengthen and grow the manufacturing industry.

**PROJECT EVALUATION:** In fiscal year 2002, WCMP assisted 557 manufacturers, had a measurable positive impact as reported from customers' surveys of \$50 million and generated \$1.9 million in fees.

## **UNITED COMMUNITY CENTER**

**BACKGROUND:** Commerce is directed to provide a grant of \$160,000 in FY2002 to the United Community Center in Milwaukee.

**PROJECT EVALUATION:** All funds were drawn. The funds were used to upgrade and renovate the existing facility in Milwaukee.

## **LEGISLATIVE SET ASIDES IN THE 2003-05 BIENNIUM**

### **RACINE MANUFACTURING CENTER**

**BACKGROUND:** In the 2003 Wisconsin Act 33, a provision was listed to provide up to \$100,000 annually from the WDF GPR funds for the continued development of a manufacturing and advanced technology training center in Racine.

### **URBAN HOPE**

**BACKGROUND:** Commerce was directed to make a grant of \$100,000 annually from the WDF to a nonprofit organization that provides assistance to organizations and individuals in urban areas (Reggie White's Urban Hope Initiative). State funding is matched by private funds. The funds must be used in accordance with a memorandum of understanding with the Department of Administration that specifies how the funds are to be allocated for assistance.

### **MINORITY BUSINESS OPPORTUNITY COMMITTEE (MBOC)**

**BACKGROUND:** In the 2003 Wisconsin Act 33, a provision was made to grant \$100,000 each fiscal year of the biennium from WDF to the Wisconsin minority business opportunity committee. The grants are to be made if the Wisconsin minority business opportunity committee submits a plan to the Department detailing the proposed use of the grants and there are matching federal funds.

### **PLANT CLOSING AWARD**

**BACKGROUND:** A non-statutory provision in the 2003 Wisconsin Act 33 to provide an unspecified amount through WDF to assist a municipality where a plant closing has eliminated jobs, and the municipality had an average unemployment rate of at least 7.5% during any period.

## Exhibit A-1

### 2003 – 2005 WDF FUNDING DISTRIBUTION PLAN

#### PROPOSED WDF BIENNIAL BUDGET 2003-05

	<u>BUDGET</u>
GPR Biennial Appropriation	\$ 8,996,800
Less:	
Racine Manufacturing Center	<u>200,000</u>
TOTAL GPR	\$ 8,796,800
TOTAL PR Biennial Appropriation	\$ <u>8,100,000</u>
TOTAL GPR and PR Available before other Legislative Set Asides	\$ 16,896,800
Less Other Legislative Set Asides:	
Urban Hope	200,000
Minority Business Opportunity Commitment	200,000
Plant closing Award	<u>Unspecified</u>
<b>TOTAL FUNDS AVAILABLE FOR WDF</b>	<b><u>\$16,496,800</u></b>

## Exhibit A-2

WISCONSIN DEVELOPMENT FUND 2003-05 FUNDING GOALS							
PROGRAM AREAS	Funding Goals				Distribution		
	Biennium 2003-05		FY 2003-04		FY 2004-05		
	Goal	%	Goal	%	Goal	%	%
ENTREPRENEURIAL DEVELOPMENT <sup>1</sup>	\$825,000	5%	\$495,000	60%	\$330,000	40%	
CAPITAL FINANCE <sup>2</sup>	\$4,950,000	30%	\$2,970,000	60%	\$1,980,000	40%	
TRAINING <sup>3</sup>	\$5,775,000	35%	\$3,465,000	60%	\$2,310,000	40%	
TECHNOLOGY <sup>4</sup>	\$4,950,000	30%	\$2,970,000	60%	\$1,980,000	40%	
<b>TOTALS</b>	<b>\$16,500,000</b>	<b>100%</b>	<b>\$9,900,000</b>	<b>60%</b>	<b>\$6,600,000</b>	<b>40%</b>	

1. Entrepreneurial development programs include the Employee Ownership Program (EOP), the Urban Early Planning Grant (UEPG) program, the Entrepreneurial Training Grant (ETG) program, and the pilot program, PeerSpectives™.
2. Capital finance programs include the Major Economic Development (MED) program, the Wisconsin Trade Projects (WTP) program, the Rapid Response Fund (RRF) program, and the Revolving Loan Fund Capitalization (RFLC) program.
3. Training programs include the Customized Labor Training (CLT) program, and the Business Employees' Skill Training (BEST.) program.
4. Technology programs include the Technology Development Fund (TDF) program and the Technology Development Loan (TDL) program.



## Exhibit B

### WDF BOARD MEMBERS

<b>BOARD</b>	<b>MEMBERS</b>	<b>TERM</b>
Secretary of Commerce or designee	David Storey	At will
Secretary of DWD or designee	Sue Gleason	At will
Director of the WTCS or designee	Deborah Mahaffey	At will
WDF Appointee-Scientific	Ralph Kauten	1 year
WDF Appointee-Technical	R. J. Twilegar	1 year
WDF Appointee-Labor	Vacant	
WDF Appointee-Small Business	Mickey Judkins	2 years
WDF Appointee	Cheryl Weston	2 years
WDF Appointee-Financial and Minority	Darian Lockett	1 year