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☛ Details: Audit Report 06-9, State Economic Development Programs

(FORM UPDATED: 08/11/2010)

## WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

### 2005-06

(session year)

### Joint

(Assembly, Senate or Joint)

### Committee on Audit...

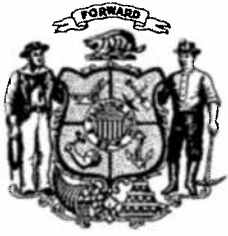
### COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

### INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                      (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)

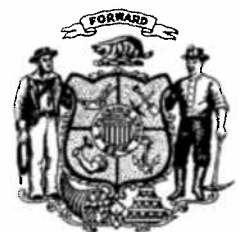


**The following document was too large to scan into the committee record. The cover and table of contents, if available, have been scanned for your convenience.**

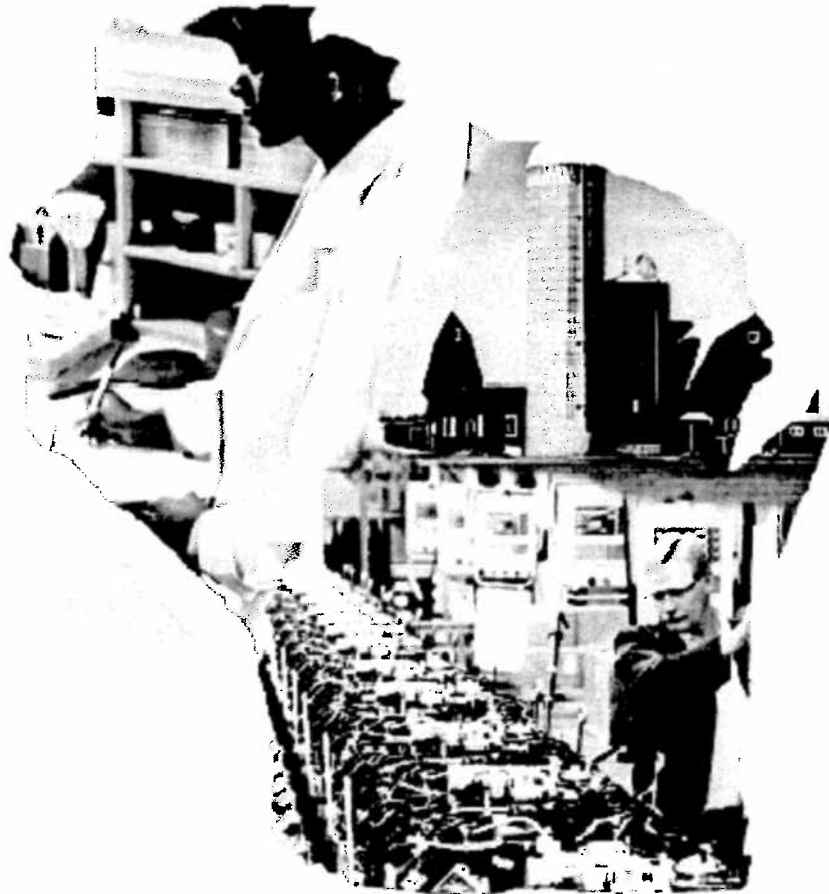
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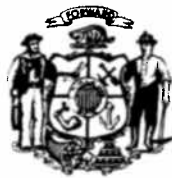
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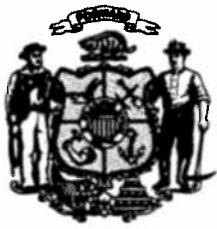
# Grow Wisconsin



## Governor Jim Doyle's Plan to Create Jobs



Office of the Governor  
115 East State Capitol  
Madison, WI 53702  
September 2003



**JIM DOYLE**  
**Governor**  
**State of Wisconsin**

September 10, 2003

My Fellow Wisconsin Citizens:

We face significant economic challenges in Wisconsin. Since January 2001, our national economy has lost more than 2.7 million jobs, including tens of thousands here in Wisconsin. Health care costs are spiraling upward. Our traditionally robust manufacturing sector is under incredible cost pressure and intense international competition. And too many of our young, talented workers are finding better job opportunities outside Wisconsin.

Since the day I took office, I have made growing our economy a top priority for my administration. The most important step required to turn our economy around was to eliminate our \$3.2 billion budget deficit without a tax increase – and my budget accomplished that. With bipartisan support, I signed the single sales factor bill to keep Wisconsin competitive and to end the tax increase on companies that create jobs. I signed important legislation to encourage utility siting and cogeneration, and brokered an agreement that will vastly improve our approval process for transmission lines and help avoid the blackouts that have damaged other states' economies. But we must do more.

This "Grow Wisconsin" plan lays out my vision and strategy to create good paying jobs and a "high end" economy. What does the "high end" mean? It means a great business climate where government is careful with your money. It means keeping standards high to protect our quality of life, but making it easier to do business. It means a high wage economy, one where our companies can be the most productive in the world. It means investing in education, training and sound infrastructure. The high end means whatever the business or industry, Wisconsin strives to produce the highest quality products made by a highly trained workforce. It is not about creating jobs; it is about creating good jobs that support families. This plan is a multi-faceted strategy to make more effective use of existing resources to create good paying jobs and to leverage additional private and federal investment in Wisconsin. In total, this plan represents a strategy to put over \$1 billion to work to grow our economy, not counting the billions that we invest in schools and roads.

The strategy focuses on four areas:

- Fostering a competitive business climate, to create fertile conditions for growth.
- Investing in people, to help families climb the economic ladder.
- Investing in Wisconsin businesses, to encourage job creation.

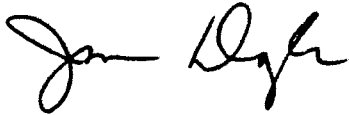
- Making government responsive, to reform regulations and unleash the economic power of our companies without sacrificing our shared values.

This plan reflects the input received at 12 economic growth roundtables held across the state last spring. It is bipartisan, incorporating ideas offered by both Democrats and Republicans. It is not all-inclusive, but, rather, is a starting point. I look forward to working with businesspeople, community groups, labor unions, elected officials, education leaders and others to continue to expand our efforts.

Our challenges may be great, but so is our ability to meet them. It's a matter of capitalizing on Wisconsin's strengths – excellent schools, universities, and technical colleges, a high quality of life, natural beauty, a legacy of innovation, a commitment to quality, and – above all – a hardworking, highly educated labor force that is second to none.

Working together, I believe we can fulfill Wisconsin's promise. And I know our best days are still ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Doyle". The signature is fluid and cursive, with the first name "Jim" and last name "Doyle" clearly distinguishable.

Jim Doyle  
Governor

## **Table of Contents**

- 1. Executive Summary**
- 2. Wisconsin's Economic Challenges**
- 3. Initiatives to Grow Wisconsin**
- 4. Appendix**
  - **Roundtable Report**

# Grow Wisconsin

## EXECUTIVE SUMMARY

*Grow Wisconsin* represents Governor Doyle's vision for creating more good-paying jobs. He wants to raise incomes in Wisconsin and create new opportunities for our workers and businesses. This document lays out the challenges we face and the Governor's plan to meet them.

Wisconsin faces significant economic challenges. Our wages have lagged behind other states, the national trend of manufacturing job loss has severely impacted us, and investments in high-growth, high-octane companies have been slow to be realized. But these challenges are no match for our ability to meet them.

Wisconsin is an extraordinary state. We are blessed with natural beauty and wildlife, safe communities, the nation's best education system, hardworking people, and a tradition of innovation. Working together, we can create a high end economy that creates better paying jobs and increases growth. We can take advantage of the Milwaukee region to tap its full potential as a national economic, financial, and cultural center. Our manufacturing sector can improve its productivity and remain the envy of the country. Wisconsin can modernize our dairy industry and create new value in our agricultural economy. We can reform regulations to make it easier to do business while keeping standards high to protect Wisconsin's beauty. Hunting, camping, and fishing will continue to flourish in Wisconsin even as new companies spring up encouraged by our investments in world class infrastructure. The researchers at our universities will churn out the best new ideas, get funding to grow new companies, and keep our talented children and grandchildren here in Wisconsin. The high end future will be Wisconsin's future if we work together and focus on creating good paying jobs.

## STRATEGIC GOALS

Governor Doyle has set eight strategic goals to grow Wisconsin's economy:

### **Retain and Create High Wage Jobs**

Governor Doyle rejects the idea that, with a great workforce, the best educational and research institutions, and businesses that lead the nation, Wisconsin's incomes should trail the national average. The decline in relative wages has occurred over many years, and will be challenging to turn around, but a key goal of the Doyle economic plan is that by the end of the decade, Wisconsin will be above, the national average in income. For too long, state government has focused on creating jobs without a strategy to raise incomes. One of the central priorities of the Doyle plan is to focus state economic efforts on creating and expanding job opportunities that will increase earning power for average Wisconsin families.

### **Prepare Workers for Tomorrow's Economy**

Wisconsin's people are the best advantage we have today and the most important advantage in Wisconsin's future. The Governor's plan will target over \$50 million to build our workers' skills so they can advance up the career ladder as our economy prospers and grows.

# Grow Wisconsin

## **Add Value in Wisconsin's Economic Base**

Wisconsin's economic base, including manufacturing, agriculture, and tourism, needs to be strengthened, not abandoned. Governor Doyle's high end strategy is designed to help increase productivity, export more, add value, increase skills, and employ technology to maximize the value of our current economic base.

## **Create and Unleash Knowledge to Build Emerging Industries**

Wisconsin is producing incredible knowledge and intellectual property in our universities, laboratories, and companies. Some of the fastest growing, highest paying, and emerging industries depend on commercializing this knowledge.

## **Tap Wisconsin's Full Urban Potential**

States need at least one dense, vibrant urban economic and cultural center to attract the full range of people, industries, and opportunities that characterize a high growth, high wage economy. Governor Doyle's strategy will help tap the full potential of the Milwaukee area to ensure that finance, culture, entertainment, and urban amenities are fully developed and benefit the entire state.

## **Implement Strategies Regionally**

Wisconsin is a diverse state with differing economic needs and dominant industries across the state. The Governor is committed to working with regional groups and officials to tailor strategies across the state.

## **Lower Regulatory Burdens, Keep Standards High**

Wisconsin can gain a dual economic advantage by having a business friendly regulatory climate and being a good steward of our environment. The Governor's high end approach to regulatory reform calls for keeping standards high, but lowering regulatory burdens and hassles.

## **Build a World Class Infrastructure**

Wisconsin's manufacturing and agricultural economy flourished in part, because we invested in an extensive road network decades ago to move products to market. The Governor is working to secure the energy, transportation, and communication infrastructure Wisconsin needs to be fully engaged in the national and world economy.





# 2006 development report card for the states

state grades

## Wisconsin

Wisconsin Rankings (pdf) ↗  
 Wisconsin Trend Indicators (pdf) ↗  
 Wisconsin Press Release (pdf) ↗

### A Performance

### B Business Vitality

### B Development Capacity

Employment  
 Earnings and Job Quality  
 Equity  
 Quality of Life  
 Resource Efficiency  
 Competitiveness of Existing Businesses,  
 Entrepreneurial Energy  
 Human Resources  
 Financial Resources  
 Infrastructure Resources  
 Amenity Resources and Natural Capital  
 Innovation Assets

## Description

On the 2006 *Development Report Card for the States*, **Wisconsin** has performed strongly in terms of the quality of life and jobs available to its residents. The data also reveal that the state should focus on building its capacity to address emerging challenges. Building and maintaining a strong infrastructure along multiple dimensions—human, financial, physical, and environmental—will be important to Wisconsin's ability to safeguard its economic performance. **Read More.**

Since 1987, the *Development Report Card for the States* (DRC) has advanced a model of economic development that goes well beyond traditional strategies of business attraction and retention. The DRC describes the components of a healthy economy in three key dimensions: what the economy means to a wage-earner, what the economy means for a typical business, and what the state government's investments are positioning the economy for the future. The DRC is meant to inform state policymakers, advocates, and citizens about how their state is performing relative to the rest of the country.

## Strengths

Rank	Measure
2	Voting Rate
5	Disparity between Rural and Urban Areas
5	Business Closings
6	Loans to Small Businesses
6	Income Distribution
7	Bridge Deficiency
7	Employer-Provided Health Insurance
7	Royalties and Licenses
8	Change in Renewable Energy
8	Cost of Urban Housing
8	Uninsured Low Income Children
8	Involuntary Part-Time Employment
8	Poverty Rate
10	Working Poor

## Weaknesses

Rank	Measure
40	Charitable Giving
42	Change in Income from Dividends, Interest and Rent
43	Electronic Public Services
44	Conversion of Cropland to Other Uses
44	Change in Energy Costs
47	New Companies

48      **Mass Layoffs**

All measures for which the state ranked in the top 10 nationally are displayed under Strengths, and all measures for which the state ranked in the bottom 10 nationally are displayed under Weaknesses.

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Science and engineering profile: Wisconsin

Characteristic	State	U.S.	Rank
Doctoral scientists, 2003	8,490	566,330	22
Doctoral engineers, 2003	1,560 *	118,540	23
S&E doctorates awarded, 2004	514	26,275	16
Life sciences (percent)	36	27	na
Engineering (percent)	22	22	na
Social sciences (percent)	15	16	na
S&E and health postdoctorates in doctorate-granting institutions, 2003	631	46,807	22
S&E and health graduate students in doctorate-granting institutions, 2003	8,962	507,247	18
Population, 2004 (thousands)	5,509	297,550	20
Civilian labor force, 2004 (thousands)	3,071	148,769	16
Personal income per capita, 2004 (dollars)	32,063	33,041	22
Federal spending			
Total expenditures, 2003 (millions of dollars)	30,237	2,024,246	24
R&D obligations, 2003 (millions of dollars)	657	91,359	26
Total R&D performance, 2003 (millions of dollars)	3,642	277,577	21
Industry R&D, 2003 (millions of dollars)	2,623	198,244	20
Academic R&D, 2003 (millions of dollars)	881	40,055	13
Life sciences (percent)	65	59	na
Engineering (percent)	12	15	na
Physical sciences (percent)	6	8	na
Number of SBIR awards, 1999-2004	325	31,847	24
Utility patents issued to state residents, 2004	1,658	84,268	17
Gross state product, 2004 (billions of dollars)	212	11,744	19

\*Coefficient of variation greater than 10% but less than 25%; na = not applicable; S&E = science and engineering; SBIR = small business innovation research.

NOTES: Rankings and totals are based on data for the 50 states, District of Columbia, and Puerto Rico. Reliability of estimates of industry R&D and of doctoral scientists and engineers varies by state, because sample allocation was not based on geography. Rankings do not take into account the margin of error of estimates from sample surveys. Data on doctoral scientists and engineers include only recipients of doctoral degrees from U.S. institutions in S&E and health fields. The field percentages represent the largest three fields within the state.

Federal obligations for research and development, by agency and performer: Wisconsin, FY 2003  
(Thousands of dollars)

Agency	Total	Performer					State and local government	Rank
		Federal intramural	All FFRDCs	Industrial firms	Universities and colleges	Other nonprofits		
All agencies	657,170	125,903	0	53,674	458,130	12,227	7,236	26
Department of Agriculture	48,541	33,689	0	173	14,473	275	11	14
Department of Commerce	6,190	1,799	0	3,066	825	0	500	24
Department of Defense	59,316	386	0	38,436	19,441	73	0	38
Department of Energy	25,170	0	0	0	25,170	0	0	24
Department of Health and Human Services	434,563	79,433	0	15,398	327,921	10,097	1,720	18
Department of the Interior	11,887	10,248	0	8	831	0	0	12
Department of Transportation	3,828	388	0	183	825	0	2,592	29
Environmental Protection Agency	3,485	148	0	0	1,139	0	2,206	24
National Aeronautics and Space Administration	14,586	0	0	2,977	9,837	1,782	0	29
National Science Foundation	59,396	0	0	1,521	57,668	0	207	20
Rank	26	28	na	37	15	33	15	na

FFRDC = federally funded research and development center.

na = not applicable.

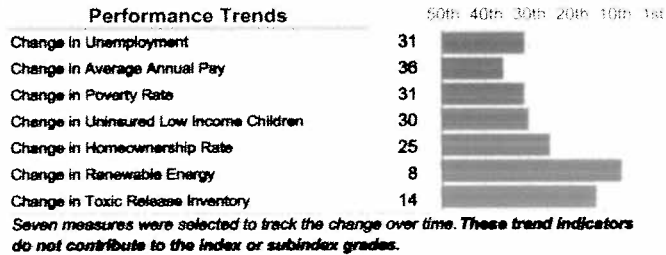
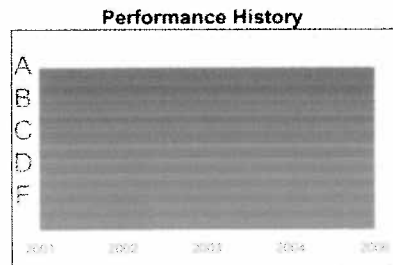
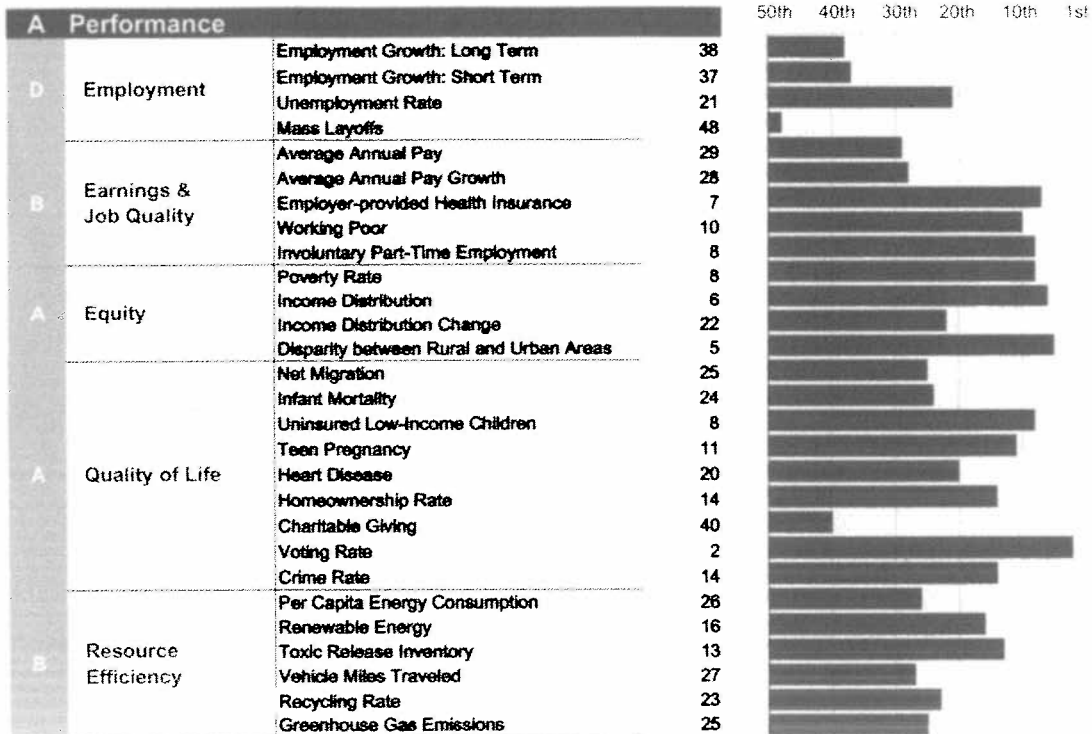
NOTES: Federal R&D obligations are as reported by funding agencies. Ranks and totals are based on data for the 50 states, District of Columbia, and Puerto Rico.

SOURCES: Prepared by the National Science Foundation/Division of Science Resources Statistics. Data compiled from numerous sources; see the section, Data Sources for Science and Engineering (S&E) State Profiles.

## State Rankings: Wisconsin

### 2006 Development Report Card for the States

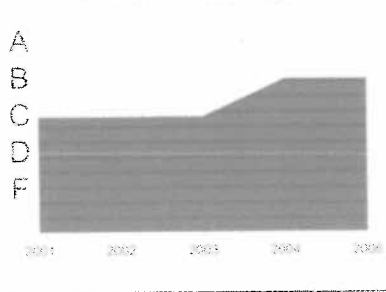
Report Card Structure: **Performance** Business Vitality Development Capacity



Report Card Structure: Performance **Business Vitality** Development Capacity



**Business Vitality History**



**Business Vitality Trends**

	50th	40th	30th	20th	10th	1st
Change in Business Closings	22					
Five Year Change in New Companies	28					

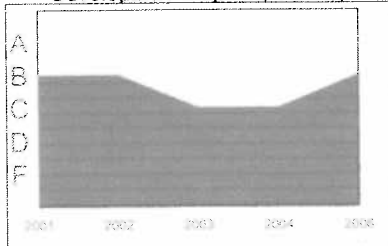
Two measures were selected to track the change over time. These trend indicators do not contribute to the index or subindex grades.

Report Card Structure: Performance Business Vitality **Development Capacity**

**B Development Capacity**

		50th	40th	30th	20th	10th	1st
B Human Resources	Basic Educational Skills Proficiency-Reading	16					
	Basic Educational Skills Proficiency-Math	15					
	Average Teacher Salary	33					
	K-12 Education Expenditures	14					
	High School Completion Rate	14					
	High School Attainment	20					
C Financial Resources	College Attainment	28					
	Income from Dividends, Interest and Rent	25					
	Venture Capital Investments	35					
	SBIC Financing	26					
C Infrastructure Resources	Loans to Small Business	6					
	Highway Performance	23					
	Bridge Deficiency	7					
	Urban Mass Transit	19					
	Sewage Treatment Needs	27					
C Amenity Resources & Natural Capital	Electronic Public Services	43					
	Energy Costs	25					
	Cost of Urban Housing	8					
	Health Professional Shortage Areas	23					
C Innovation Assets	Conversion of Cropland to Other Uses	44					
	Air Quality Non-attainment	23					
	Ph.D. Scientists & Engineers	34					
	Graduate Students in Science & Engineering	21					
	Households with Computers	22					
	Academic Research & Development	15					
	Federal Research & Development	39					
	Private Research & Development	24					
	SBIR Grants	25					
	Royalties and Licenses	7					
Patents Issued	14						
Business Created via University R&D	36						

**Development Capacity History**



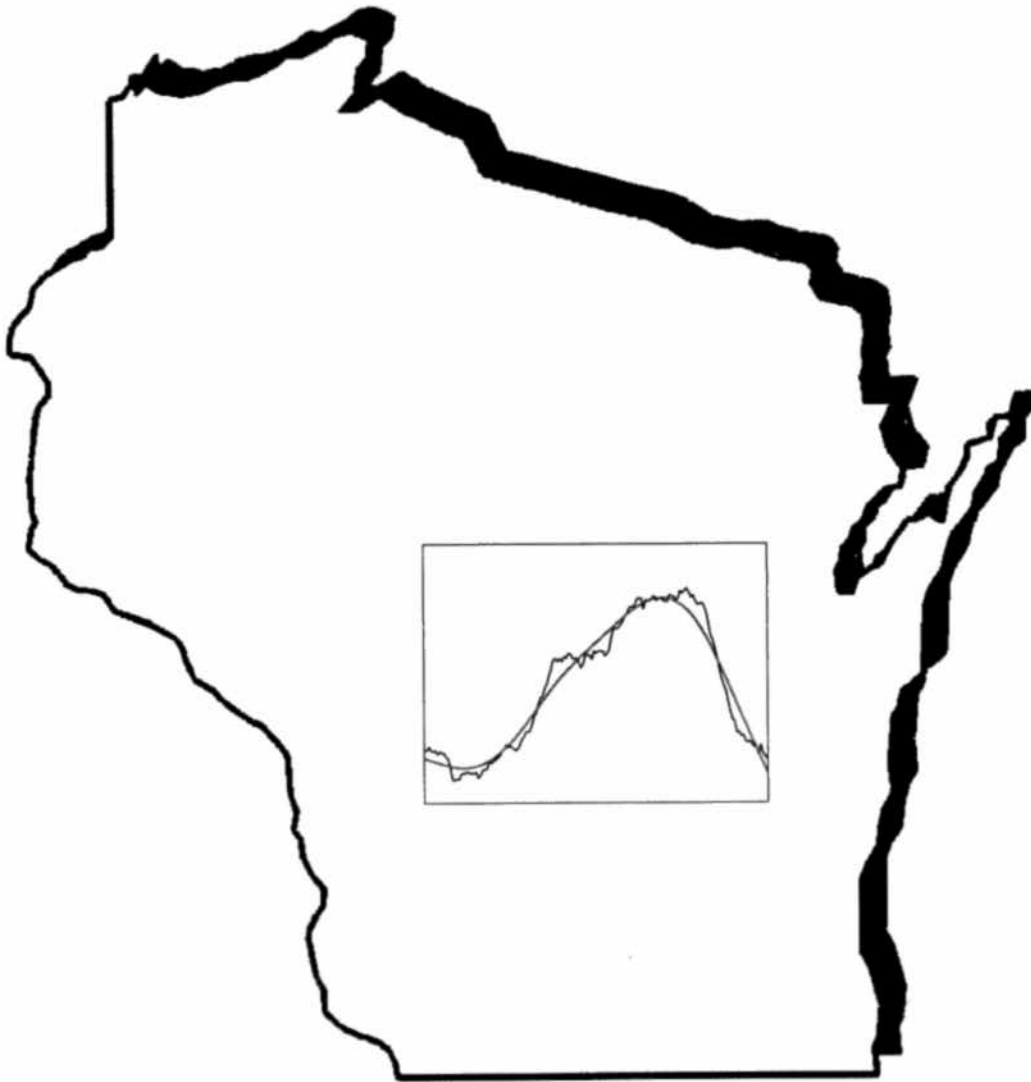
**Development Capacity Trends**

	50th	40th	30th	20th	10th	1st
Change in Math Proficiency	37					
Change in High School Attainment	37					
Change in Venture Capital Investments	30					
Change in Dividends, Interest and Rent	42					
Change in Health Professional Shortage Areas	24					
Change in Energy Costs	44					
Change in Private Research & Development	18					

Eight measures were selected to track the change over time. These trend indicators do not contribute to the index or subindex grades.

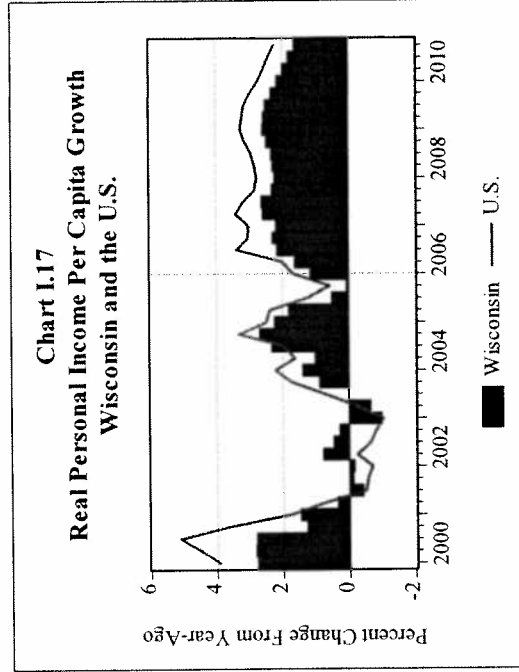


# WISCONSIN ECONOMIC OUTLOOK





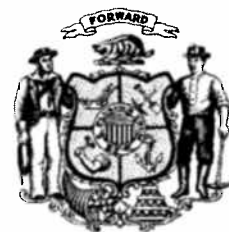
ECONOMIC OUTLOOK - WISCONSIN



Wisconsin real personal income per capita is forecasted to grow at 2.3% in 2006 and 2.9% in 2007, strong than its performance (2.1%) in 2005. The weaker 2006 growth compared to 2007 is mainly explained by expected higher inflation. Wisconsin per capita income was 98.3% of the U.S. per capita income in 2000. While this ratio is expected to decline marginally over the next five years, it will hover around 98%, significant improvement from the 96.7% level experienced in 2000.



# WISCONSIN STATE LEGISLATURE



**RECOMMENDATIONS FOR  
DEPARTMENT OF COMMERCE**

**1 Identify duplicative and outdated programs and have Commerce report by 2/15/07 specific statutory changes to consolidate/eliminate. Pg. 40**

**REASON FOR RECOMMENDATION**

There are lots of different ED programs throughout the state and it's challenging for businesses and people to find what programs are available. Commerce established 7 managers as the first point of contact; however, this doesn't ensure that people find programs through other agencies, nor does it minimize the duplication. Consolidating duplicative programs and eliminating inactive or outdated programs would reduce the State's administrative costs, may improve the Legislature's ability to provide effective oversight in the use of economic development funds, and could help businesses to locate assistance.

**2 Improve procedures for tracking and reporting actual project results for individual projects, including tracking the number of new businesses started, start-up business success rates, and the levels of wages and benefits for jobs created and employees retained. Pg. 77**

Reports prepared by Commerce (incl. biennial report to the legislature) have expected rather than actual outcomes (i.e. number of jobs *expected* to be created). Also, Commerce does not verify information from award recipients (i.e. check their payroll information w/ DWD) and does not record the information reported from award recipients into a database, therefore they don't check the expected vs. actual project outcomes. Furthermore, when ED projects receive funding from more than 1 agency or program, the project results can be double-counted (i.e. Commerce and DOT each claimed credit for creating or retaining at least 1,800 jobs related to 17 projects that received funding from both agencies). This happened for 23 different projects. Finally, Commerce does not track costs of programs relative to their benefits (statutes do not limit available funding based on project outcomes)

### **3 Improve procedures for monitoring the long-term success of projects. Pg. 79**

In FY 01-03, 43 of the 86 projects did not submit reports in a timely manner, so they were unable to determine if they'd achieved expected results. Many reports came in after the LAB review, but Commerce's lack of monitoring is concerning. Commerce does not conduct additional follow-up to determine the long-term success of its projects (i.e. they give out early planning grants but never check to see if a business was successfully launched, or still in existence after 3-5 years). LAB also found 2 instances in which businesses that had received financial assistance subsequently laid off employees or closed their facilities (Commerce's contracts typically require the repayment of some or all of the amounts awarded when don't meet criteria). In addition, the 05-07 Biennial Budget Act, directs Commerce to seek repayment of grants, loans, or tax credits from businesses that move their operations outside of WI). However, because they don't comprehensively track this information, they couldn't tell how many times it required a loan to be repaid. Ongoing monitoring would improve accountability (Commerce will say this will increase workload and don't have enough staff).

**4 Departments of Commerce and Revenue report to the Joint Legislative Audit Committee by 2/15/007, on their efforts to improve procedures for tracking and reporting the amount of tax credits claimed by each business within each development zone.**

**Pg. 96**

The effectiveness of Wisconsin's development zone programs is difficult to assess because neither statutes nor Commerce have established criteria by which individual zones can be evaluated (i.e. Commerce doesn't check unemployment rates, poverty rates, or per capita income, which could be used to identify improvements within zones). Statutes require Commerce and DOR to estimate and report foregone tax revenue and tax incentives from credits (but not credits in agriculture or technology), but neither requirement has been effectively implemented. Also, neither Commerce nor DOR compiles development zone tax credits claimed by businesses in each zone; therefore, LAB was unable to determine whether specific businesses had claimed all of their available credits or whether certain businesses had claimed more credits than were awarded by Commerce (this could only be detected through a tax audit- DOR couldn't provide this info).

**5 Report to the Joint Legislative  
Audit Committee by 2/15/07, on  
the results of its internal audit of  
the Certified Capital Companies  
program, including the amount  
invested in qualified businesses,  
the amount spent on  
management and other expenses,  
and the effectiveness of the  
program in increasing the  
availability of investment capital  
and encouraging econ.  
development. Pg. 101**

Commerce has awarded \$50 million (max amount in statutes) in tax credits to insurance companies for investments made in 1999. The three CAPCOs had invested 52% of the funds provided by the insurance companies, in 19 qualified businesses that reported creating 316 new jobs. There is not a limit on the amount CAPCOs can spend on management expenses and debt payments; therefore, as much as 50% of the funds for which insurance companies received tax credits need not be invested in qualified businesses. Other states have similar concerns with their CAPCO programs. Critics of the CAPCO program argue that because credits are provided on a dollar-for-dollar basis, the State incurs all of the investment risk. If the Legislature decides to renew or expand the CAPCO program, it may wish to establish investment benchmarks beyond five years, to set limits on the amount of insurance company investments that can be used for management expenses, and to seek strategies for increasing the amount of CAPCO funds made available to qualified businesses.

## **RECOMMENDATIONS FOR LEGISLATURE TO CONSIDER**

- 1 The Legislature, as it reviews proposals to expand existing development zone programs or to create new programs, consider establishing specific criteria to ensure that zones are designated only in those areas that meet each specific program's intent.**

**Pg. 90**

## **REASON FOR RECOMMENDATION**

Today, the criteria for designating some types of ED zones are inconsistent between statutes and administrative code. The audit found the agency definitions of what constitutes an ED Zone may be inconsistent with legislative intent. For example, the Legislature may wish to clarify whether the boundaries of a zone should be determined based on the economic characteristics of a portion of a municipality, an entire municipality, or a county. The report argues that lack of criteria may limit the effectiveness of the program.

For example, the Legislature may wish to clarify whether the boundaries of a zone should be determined based on the economic characteristics.

2 The Legislature, in future reviews of economic development planning and coordination activities, consider encouraging the establishment of:
 

- \* clear and measurable goals to ensure that programs are working toward achieving state policy objectives;
- \* benchmarks to measure progress toward each goal; and
- \* models for consistently evaluating and reporting economic development results among state agencies.

D. 112

3 Reducing the number of programs by consolidating statutory requirements and standardizing eligibility criteria for economic development programs that have similar purposes or provide similar services.

Pg. 115

Currently, 26 councils, boards, task forces, or other bodies are responsible for overseeing specific economic development programs or providing advice on various aspects of state economic policy. Some of these entities have similar or overlapping responsibilities. This contributes to a higher overall cost and increased complexity of the program. For example, there are four councils or boards that provide oversight and advice on issues affecting small businesses. Several states have created overarching entities to oversee economic development programs.

Ex. SC has a

Coordinating Council made up of 10 heads of state agencies. MI formed a partnership between state and local governments....the CEO of this also serves on Governor's cabinet.

The audit found that there are numerous programs providing similar or overlapping services. For example, 34 programs currently assist businesses in purchasing fixed assets. The report argues that reducing the number of programs would streamline the process and be more cost effective. Ex. 1. Commerce/DATCP - Milk Volume Production program 2. Commerce/DATCP: International Agribusiness Center (overseas exports) 3. Commerce: Development zones...every part of WI covered by a zone.



**4 The Legislature consider consolidating the reporting requirements for state economic development programs.**  
**Pg. 116**

The audit found that enacting specific reporting requirements would increase accountability for Wisconsin's ED programs. Currently, some programs have no specific reporting requirements, while others are required to provide annual or biannual reports with no format guidelines. The audit recommends the legislature require ED program reports include project outcomes and whether or not projects meet their respective goals. There are two options for consolidating reporting requirements. First, require each agency to submit an economic development progress report as part of its biennial report to the Legislature. Second, Commerce could coordinate the production of a single biennial economic development report. Either of these options would allow policymakers as well as taxpayers to evaluate whether the ED programs are achieving their goals.

**5 Consider enacting public disclosure requirements to improve the transparency in the use of state funds for economic development.**  
**Pg. 117**

Currently, state agencies provide limited information directly to the public about projects receiving state ED assistance. Other states, including Illinois and Minnesota, have implemented disclosure requirements to make program information available to the public. The Illinois Department of Commerce and Economic Opportunity and Minnesota Department of Employment and Economic Development maintain websites for easy public access. IL requires recipients to report annually on progress toward completing projects and if met employment or investment goals. MN has info available on website.

## Recommendations

- Item
- 6  **Recommendation – pg. 40**  
*We recommend the Department of Commerce report to the Joint Legislative Audit Committee by February 15, 2007, with specific statutory changes to consolidate duplicative programs and eliminate inactive and outdated programs.*
- 7  **Recommendation – pg. 49**  
*We recommend that the University of Wisconsin System and the Wisconsin Technical College System:*
- *designate an economic development liaison at each institution, from within existing staff, to coordinate with other state and local economic development efforts;*
  - *publish comprehensive directories of their economic development and business assistance programs on the Internet, to assist individuals, businesses, local governments, and other organizations in locating sources of technical and financial assistance; and*
  - *report to the Joint Legislative Audit Committee by February 15, 2007, on progress toward implementing these recommendations.*
- 8  **Recommendation – pg. 77**  
*We recommend the Department of Commerce improve its procedures for tracking and reporting actual results for individual projects, including tracking the number of new businesses started, start-up business success rates, and the levels of wages and benefits for jobs created and employees retained.*
- 9  **Recommendation – pg. 79**  
*We recommend the Department of Commerce improve its procedures for monitoring the long-term success of the projects it funds.*
- 1  **Recommendation – pg. 90**  
*We recommend the Legislature, as it reviews proposals to expand existing development zone programs or to create new programs, consider establishing specific criteria to ensure that zones are designated only in those areas that meet each specific program's intent.*
- 10  **Recommendation – pg. 96**  
*We recommend the Department of Commerce and the Department of Revenue report to the Joint Legislative Audit Committee by February 15, 2007, on their efforts to improve procedures for tracking and reporting the amount of tax credits claimed by each business within each development zone.*
- 11  **Recommendation – pg. 101**  
*We recommend the Department of Commerce report to the Joint Legislative Audit Committee by February 15, 2007, on the results of its internal audit of the Certified Capital Companies program, including the amount invested in qualified businesses, the amount spent on management and other expenses, and the effectiveness of the program in increasing the availability of investment capital and encouraging economic development.*
- 3  **Recommendation – pg. 113**

*We recommend the Legislature, in future reviews of economic development planning and coordination activities, consider encouraging the establishment of:*

- clear and measurable goals to ensure that programs are working toward achieving state policy objectives;*
- benchmarks to measure progress toward each goal; and*
- models for consistently evaluating and reporting economic development results among state agencies.*

12  **Recommen** [REDACTED]

*We recommend the Legislature consider reducing the number of programs by consolidating statutory requirements and standardizing eligibility criteria for economic development programs that have similar purposes or provide similar services.*

4 [REDACTED]

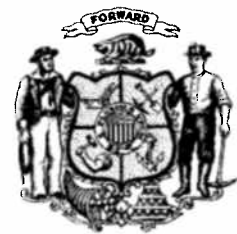
*We recommend the Legislature consider consolidating the reporting requirements for state economic development programs.*

5 [REDACTED]

*We recommend the Legislature consider enacting public disclosure requirements to improve transparency in the use of state funds for economic development projects.*



# WISCONSIN STATE LEGISLATURE





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## News

### For Immediate Release

May 17, 2005

**Contact:** Jerome Uher  
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## Wisconsin Earns a "B" on Financial Security Scorecard

*Health Coverage, Low Poverty Cited as Strengths*

**Washington, D.C.** – The state of Wisconsin earned a "B" on the 2005 *Assets and Opportunity Scorecard*, a new report released today by CFED, a national nonprofit organization that conducts economic research. Wisconsin led most states in a study that found large discrepancies between states in net worth, homeownership, and a number of other financially related measures.

CFED's *Assets and Opportunity Scorecard*—online at [www.cfed.org/go/scorecard](http://www.cfed.org/go/scorecard)—measures the financial security of families in the U.S. by looking beyond just income to the whole picture of building ownership and protecting against financial setbacks. The *Scorecard* ranks the 50 states and the District of Columbia on 31 performance measures in the areas of Financial Security, Business Development, Homeownership, Health Care, and Education. States were graded on a curve from "A" to "F" on their performance.

Wisconsin excelled in health care ("A"), where it received top-10 rankings in all measures. In particular, uninsured low-income children (2nd) and parents (5th) are well-protected from the health care costs that are driving many Americans into bankruptcy. Wisconsin's 6th-place ranking in households with zero net worth and 9th in asset poverty were encouraging. But despite a relatively high rate of private loans to small businesses (6th), the Badger State is near the bottom of the list when it comes to microenterprise ownership (ranked 50th). Wisconsin is on the right track in terms of education, where it received top-20 rankings in Head Start coverage (11th), completion of two years of college (5th), and both math (15th) and reading (16th) proficiency.

"This grade not only takes into account the net worth of each person in Wisconsin, but everything from small business ownership to the affordability of housing for the average worker, to educational attainment, to how many people have health insurance," said Dr. Lillian Woo, CFED's lead researcher on the *Scorecard*. "The 'B' grade suggests that Wisconsin is creating a positive environment for wealth creation but has not yet put into place all the elements that foster asset building and wealth creation."

The *Scorecard* also looks at 38 state policies in these areas (as well as Tax Policy) that can help or hinder citizens' efforts to get ahead. Policies are assessed as either "favorable," "standard," or "substandard," based on their relation to the policies of the other states.

With a large number of policies that encourage asset building, Wisconsin received an overall "favorable" policy rating on the *Scorecard*. Wisconsin finds itself providing more and improved opportunities for financial security with policies that support asset accumulation, such as an income tax threshold that is higher than most states' and tax credits for low-wage workers. The state also outperforms many others in terms of education policy with state funding for Head Start, above-average per-pupil spending, and strong support for need-based financial aid.

"State policies are vital in providing citizens an opportunity for financial security," said CFED President Andrea Levere. "By promoting homeownership, improving health insurance availability, and encouraging financial institutions to work with all possible customers—states can foster an environment where the American Dream thrives."

In compiling the *Scorecard*, CFED researchers found alarming discrepancies in net worth between women and men, minorities and whites—and even between average residents of different states. Among the key national findings:

- Nearly one-in-five American households has zero net worth or is in debt, or "owes more than it owns." The figure is one-in-three for minority-headed households.
- For every dollar of net worth of a household headed by a male, female-headed households have less than 40 cents.
- The median Massachusetts household (the highest of all states) has over three times the net worth of median households in Arizona, Texas, Georgia, West Virginia and a number of other states.

Top performers on the 2005 *Scorecard*—those states that earned an overall A in performance measures and a "favorable" rating in policy measures—include **Connecticut, Delaware, Iowa, Maine, Minnesota, and Vermont.**

Included with this year's release, CFED has created a *Scorecard Advocacy Center* to encourage state-level asset-building and ownership advocates to use the *Scorecard* as a tool for affecting policy change.

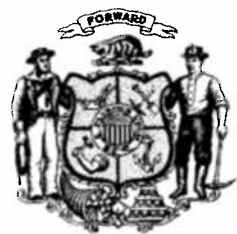
For more information and to access the *Assets and Opportunity Scorecard*, visit [www.cfed.org/go/scorecard](http://www.cfed.org/go/scorecard).

CFED is a nonprofit organization that expands economic opportunity. We work to ensure that every person can participate in, contribute to, and benefit from the economy by bringing together community practice, public policy, and private markets. We identify promising ideas; test and refine them in communities to find out what works; craft policies and products to help good ideas reach scale; and foster new markets to achieve greater economic impact.

Established in 1979 as the Corporation for Enterprise Development, CFED works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.



# WISCONSIN STATE LEGISLATURE



# Audits pave way for action on economic, workforce development

by Lakra A. Tomaka (ltomaka@sg.org)

In Wisconsin, lawmakers were struggling to get a handle on the value of their state's 152 different economic-development programs.

"There was no accurate and reliable information about their costs and effectiveness," state Sen. Carol Roessler says.

In Kansas, legislators had a number of unanswered questions about their state's array of workforce-development initiatives.

"We never felt like we were getting the answers," Sen. Karin Brownlee says. "How many people are being trained? Do they end up with better-paying jobs?"

In both states, leaders turned to a familiar policymaking tool for help — the legislative audit, which can strengthen elected officials' oversight of state operations while also leading to improvements in the performance of state programs.

Findings from the Kansas and Wisconsin audits were released earlier this year.

During next year's legislative session, lawmakers



Sen. Carol Roessler

hope to put those results to good use, and ensure that their states are making the most of the tax dollars being used to attract businesses and train workers.

"We will have a far better, highly tuned and better-designed economic-development strategy as an outcome of this legislative audit's findings," Roessler believes.

## 'Confusing' and 'fragmented'

Not only are Wisconsin's economic-development programs large in number, they also are administered by a variety of state agencies.

Those two factors have made legislative oversight difficult.

"It's a problem to find out who's the lead on what," says Roessler, a Republican from Oshkosh and co-chair of the Joint Committee on Audit.

"It's very confusing for us as legislators, and absolutely so for the public and for counties and municipalities working to find and match the appropriate resources."

The first step of the audit, then, was to inventory the state's current efforts. During the 2003-05 biennium, the audit found, the state spent nearly \$153 million on its various eco-

omic-development initiatives.

The audit also looked at more-specific issues, such as:

- the financial assistance and program services provided,
- the data used to evaluate effectiveness, and
- other states' efforts to enhance accountability.

Through this auditing process, the state discovered that multiple programs were providing identical or similar services.

"We have lots of duplication ... and more [programs] than we need if they're not effective," says Rep. Suzanne Jeskewitz, a Republican from Menomonee Falls and co-chair of the Joint Committee on Audit.



Rep. Suzanne Jeskewitz

The audit also revealed a system that is "fragmented" with programs that too often lack accountability, Roessler adds.

"They are limited in [performance] measurement and almost vacant in terms of reporting any results or outcomes," she says. "There is no good evaluation, review or oversight [in place]."

The audit report makes a number of recommendations to both the state Department of Commerce and the Legislature. It says the department should identify duplicative and outdated programs as well as improve how programs are monitored and results are reported.

The audit recommends that the Legislature:

- standardize eligibility criteria for similar programs;
- consolidate reporting requirements; and
- enact disclosure requirements to improve transparency.

Roessler and Jeskewitz are working on a legislative proposal to address many of the audit's findings and recommendations.

The duplication of services and lack of coordination between programs are expected to be addressed in those legislative measures.

But Jeskewitz also says more needs to be done.

"We're not seeing the vitality that we need in economic development in the state of Wisconsin," she believes.

"We need to bring the players together who are in charge of these different economic development programs and see where they wisely think

we should be going. We can't do it just as legislators."

The audit, though, has been an important first step.

"We now have the data and information available to us," Roessler says.

## 'A lot of improving to do'

The recent audit in Kansas focused on the state's use of funds from the federal Workforce Investment Act (WIA).

"It doesn't matter whether they're state dollars or federal dollars, they're still tax dollars," says Brownlee, a Republican from Olathe.

"We need to make sure they're used as wisely as possible, and there is concern that the money is not used properly."

In 1998, the WIA replaced the Job Training Partnership Act in an effort to streamline and better coordinate workforce- and employment-training services at the state and local levels.

According to the report, Kansas received about \$21 million in WIA funds in fiscal year 2006, and about 5,500 job seekers received services in 2005. The general conclusion of the audit is that while Kansas' administrative structure conforms with federal requirements, there are some problems related to administration of the act.

For example, auditors say Kansas' workforce-development programs lack coordination and are inadequately monitored. Of the state's five one-stop workforce-development centers, three don't have the programs in place to carry out their missions and are struggling to meet performance measurements.

The audit also found that some state contracts were not competitively bid and that excessive amounts of money were being spent on leasing office space.



Sen. Karin Brownlee

Included with these findings are recommendations on how the state's workforce board and Department of Commerce can better implement the WIA in Kansas.

"They [the department and its workers] have a lot of improving to do," Brownlee says.

She notes that some of the problem areas already are being addressed, including the addition of Department of Commerce personnel to monitor the programs.

Meanwhile, the Legislature plans to more closely scrutinize the department. The Joint Committee on Economic Development has already begun to hold hearings on the audit, and legislation could be introduced in 2007. ★