

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2783/P4dn
TKK:wlj&bjk:nwn

November 27, 2007

To Senator Sullivan and Representative Jeskewitz, Joint Legislative Audit Committee Cochairs:

This draft is offered in response to the Committee's instructions at the October 4, 2007, meeting of the Joint Legislative Audit Committee Working Group on Economic Development. I have several questions for the Committee's consideration:

1. Repayments of gaming and economic diversification grants and loans. As requested by the Committee, this draft retains the appropriation at s. 20.143 (1) (ig). The gaming and economic diversification grant and loan program is repealed in the draft, but the appropriation is retained in the event that there are any repayments of grants or loans made under the program. However, the appropriation, as amended to reflect the repeal of the program, does not specify where any repayments should be directed (paid out) after the funds have been placed in the appropriation account. Please advise.

2. Certified Capital Companies. The Certified Capital Companies program is repealed in its entirety in 2007 Wisconsin Act 20 (the budget bill). In previous versions of *this* bill, the Committee had retained a requirement that the Department of Commerce (Commerce) report on the program. Do you want to establish a new requirement, either in the statutes or in a nonstatutory provision, that requires Commerce to make a report on the program?

3. Annual reporting. The draft requires the following eight state entities to make reports to the Joint Legislative Audit Committee and the appropriate standing committees of the legislature regarding economic development programs administered by the entity: 1) the University of Wisconsin System; 2) the Department of Agriculture, Trade, and Consumer Protection; 3) the Department of Natural Resources; 4) the Wisconsin Housing and Economic Development Authority; 5) the Department of Tourism; 6) the Technical College System; 7) the Department of Transportation; and 8) Commerce. The reports must be made annually no later than October 1.

I believe the Committee chose the October 1 date to give the entities time to compile data from the end of the fiscal year. Could you confirm that the data to be reported in the annual report is, in fact, data from the previous *fiscal* year and not data from the previous *calendar* year?

4. A note about goals for economic development programs. With the addition of a definition for “economic development program” in this draft, the scope of the programmatic goals to be developed by each of the eight state entities has changed. In the previous draft, the programmatic goals were to be developed only for economic development *grant and loan* programs. The definition of economic development programs suggested by the Legislative Audit Bureau and proposed in this draft includes programs that provide tax credits and direct services. For that reason, the eight state entities are required by this draft to develop goals not only for economic development grant and loan programs, but also for economic development programs and activities that provide tax credits and direct services.

Is the Committee comfortable with this change?

5. Financial statements. This draft requires the recipient of an economic development grant or loan with a value greater than \$100,000 to submit to the state entity that awarded the grant or loan an independently verified financial statement and to make supporting documentation available for inspection. This requirement must be promulgated as a rule by each of the eight state entities.

What information must the financial statement contain? Financial information related only to income received from and expenditures of the grant or loan? Or a more comprehensive financial statement of all income and expenditures of the recipient? Or should the administering state entities determine the level of reporting in the rule-making process.

6. Accountability provisions. This draft authorizes each of the eight state entities to recoup payments of grants and loans from a recipient, withhold payments of grants and loans from a recipient, and impose a fine or penalty on a recipient if the recipient fails to comply with the terms of a contract and fails to provide a satisfactory explanation for the noncompliance. This requirement must be promulgated as a rule by each of the eight state entities.

Should the entities be permitted to take the same actions against recipients of tax credits or direct services who fail to comply with the terms of a contract and fail to provide a satisfactory explanation for the noncompliance?

7. Minority Business Development Board. This draft eliminates much of the power of the Minority Business Development Board (MBDB). Under current law, the MBDB:

- a. Awards minority business development finance and education and training grants;
- b. Awards minority business development revolving fund grants and loans; and
- c. Has authority to develop policies governing the repayment of grants and loans and review rules proposed by Commerce.

This draft eliminates the minority business development finance and education and training grants and transfers to Commerce the power to award the revolving fund grants and loans.

Is the Committee comfortable with the level of power retained by the MBDB?

I look forward to working with you on this draft.

Tracy K. Kuczenski
Legislative Attorney
Phone: (608) 266-9867
E-mail: tracy.kuczenski@legis.wisconsin.gov