

☛ 07hr_JC-Au_Misc_pt14a



☛ Details: Public Hearing: Follow-up: Audit Report 06-9, A Review: State Economic Development Programs

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2007-08

(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**

Record of Committee Proceedings

Joint Legislative Audit Committee

Follow-up: Audit Report 06-9

A Review: State Economic Development Programs.

Discussion of audit follow-up letters submitted by the Department of Commerce (dated February 15, 2007), the Wisconsin Technical College System (dated February 15, 2007), and the University of Wisconsin System (dated February 13, 2007).

April 18, 2007 **PUBLIC HEARING HELD** (Testimony from invited speakers only.)

Present: (10) Senators Sullivan, Lassa, Decker, A. Lasee and Cowles; Representatives Jeskewitz, Rhoades, Kerkman, Cullen and Parisi.

Absent: (0) None.

Appearances For

- None.

Appearances Against

- None.

Appearances for Information Only

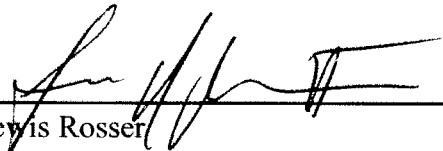
- Janice Mueller, Madison — State Auditor, Legislative Audit Bureau
- Jeff Ripp, Madison — Legislative Audit Bureau
- Mary Burke, Madison — Secretary, Department of Commerce
- Aaron Olver, Madison — Deputy Secretary, Department of Commerce
- Dan Clancy, Madison — President, Wisconsin Technical College System
- Marv Van Kekerix, Madison — Vice Chancellor and Provost, University of Wisconsin (UW) Extension, for UW System
- John Fischer, Madison — Outreach Program Manager, UW-Extension, for UW System
- Tom Still, Madison — President, Wisconsin Technology Council

Registrations For

- None.

Registrations Against

- None.



Lewis Rosser
Committee Clerk





Office of the President

1720 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin 53706-1559
(608) 262-2321
(608) 262-3985 Fax

email: kreilly@uwsa.edu
website: <http://www.uwsa.edu>

February 13, 2007

CORRECTED LETTER

Senator Jim Sullivan, Co-Chair
Joint Legislative Audit Committee
PO Box 7882
Madison, WI 53707-7882

Representative Suzanne Jeskewitz, Co-Chair
Joint Legislative Audit Committee
PO Box 8952
Madison, WI 53708

Dear Senator Sullivan and Representative Jeskewitz:

The Legislative Audit Bureau's review of State Economic Development Programs, completed in August, 2006, included three recommendations for the University of Wisconsin System. Specifically, the UW System was to designate an economic development liaison at each institution to coordinate these efforts, to publish a comprehensive directory of economic development and business assistance programs, and report to the Joint Legislative Audit Committee by February 15, 2007 on progress toward implementing these recommendations.

Because of the extent of its Economic Development activities, I assigned UW-Extension the responsibility for implementing the audit recommendations on behalf of the entire UW System. As the enclosed progress report from UW-Extension indicates, the identification of economic development liaisons have been completed, and efforts are well underway for developing a comprehensive online directory of economic development programs and resources across the UW System.

Please let me know if you have any questions or would like additional information.

Sincerely,

A handwritten signature in black ink that reads "Kevin P. Reilly".

Kevin P. Reilly
President

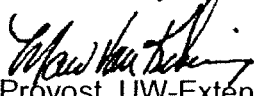
Enclosures

Copy: Board of Regents
Chancellors
Cabinet

University of Wisconsin-Extension
432 North Lake Street
Madison, WI 53706
608-262-6151
608-262-6572 (fax)
7-1-1 (WRS)
www.uwex.edu (URL)

Date: February 7, 2007

To: Kevin P. Reilly, President, UW System

From: Marv Van Kekerix 
Vice Chancellor and Provost, UW-Extension

Subject: Response to the Legislative Audit Bureau Recommendations Regarding
Economic Development Programs and Contacts

In August 2006, the Legislative Audit Bureau completed a review of the State of Wisconsin's economic development programs. While a majority of the programs are administered by the Department of Commerce, the University of Wisconsin campuses and programs were also included in the report. Based on its assessments, the Legislative Audit Bureau offered three recommendations to the University of Wisconsin regarding the organization of Economic Development programs throughout the system:

1. Designate an economic development liaison at each institution, from within existing staff, to coordinate with other state and local economic development efforts;
2. 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
3. Report to the Joint Legislative Audit Committee by February 15, 2007, on progress toward implementing these recommendations.

The first recommendation of establishing economic development liaisons at each institution has been accomplished. A list of the requested institutional Economic Development liaisons and their contact information is attached. The third recommendation of reporting to the Joint Legislative Audit Committee by February 15, 2007 is being fulfilled through this communication.

The second recommendation, a comprehensive directory, is being accomplished through the creation, implementation, and maintenance of an online, searchable website containing economic development programs and resources across the UW System. UW System has charged UW-Extension with the task of creating an Economic Development Portal Website in partnership with the UW campuses. The project is

being managed by the UW-Extension Office of the Provost which is providing financial support and personnel for the development, implementation, and maintenance of the website. A list of members currently on the project's Advisory Team is attached to this report.

The timeline for completion of the project includes collecting data on existing programs during spring, 2007 and producing a pilot or demonstration website by summer, 2007. To date, there have been a series of meetings including the UW-Extension Chancellor and Provost as well as the Project Director and the Advisory Team members. Once the demonstration website is operational, the advisory team will expand to include a broader spectrum of programs and contacts. The project director will work with the campus liaisons to coordinate data entry at each institution. The database will be populated with UW Economic Development resources through fall, 2007, and the plan is to make the final website widely accessible. As an important component of the evolution of the project, the intent is to track the entry points and questions of users to drive an on-going improvement effort aimed at making the site more user-friendly and useful on a continuous basis. The overall goal is "to assist individuals, businesses, local governments, and other organizations in locating sources of technical and financial assistance" and to have a well-developed site by winter, 2007.

Based on input from several advisory team members, the UW project will consider the efforts of various regional projects in the state including the UW-Madison Business Resource Database, the West Central Wisconsin Regional Education Consortium, and the Wisconsin Entrepreneur's Network when organizing this project. The target audience for the project has been defined as entrepreneurs, businesses, and industries in Wisconsin, and the focus of the advisory team's efforts has been to ensure a user-friendly web interface that quickly and easily connects interested users with the economic development information and resources available to them throughout the UW System in a timely manner.

Discussions are underway with the Wisconsin Department of Commerce and the Wisconsin Technical College System to include participating statewide agency economic development programs in this single database-driven website. Secretary of Commerce Mary Burke and Jim Zylstra, Vice President of Finance for the Wisconsin Technical College System, have participated in discussions with the UW Economic Development Portal Advisory Team and will continue to collaborate throughout the implementation phase on matters such as website design, content, search capabilities, data entry, and ongoing support.

Attachments: UW Economic Development Web Portal Advisory Team
Economic Development Liaisons

Cc: David Wilson, Chancellor, UW Colleges and UW-Extension

UW Economic Development Liaisons

October 12, 2006

UW-Eau Claire

Main Contact

George Kroeninger
Director, Continuing Education
University of Wisconsin-Eau Claire
210 Water Street
P. O. Box 4004
Eau Claire, WI 54702
Phone: 715-836-3636
Email: ce@uwec.edu

Web Site

www.uwec.edu/ce

UW-Green Bay

Main Contact

Christina Trombley
Director, Small Business Development Center
University of Wisconsin-Green Bay
Business Assistance Center
2701 Larsen Road, Green Bay 54303
Phone: 920-496-2115
Email: tromblec@uwgb.edu

Web Site

www.uwgb.edu/sbdc

UW-La Crosse

Main Contact

Jan Gallagher
Small Business Development Center
University of Wisconsin-La Crosse
Room 120 Wimberly Hall
1725 State St.
La Crosse, WI 54601
Phone: 608/785-8782
Fax: 608/785-6919
E-mail: gallaghe.jani@uwlax.edu

Web Site

www.uwlax.edu/sbdc

UW-Madison

Main Contact

Charles Hoslet
Managing Director
Office of Corporate Relations
455 Science Drive, Suite 230
Madison, WI 53711
Phone: 1-877-OCR-WISC (1-877-627-9472)
Fax: 608-263-2841
Email: inquiries@ocr.wisc.edu

Web Site

www.ocr.wisc.edu

UW-Milwaukee

Main Contact

Brian D. Thompson
Senior Advisor for Research and Strategic Initiatives
UWM Foundation
Alumni House 251
3230 E. Kenwood Blvd.
Milwaukee, WI 53211
Phone: 414-229-3397
Email: briant@uwm.edu

Web Site

www.uwm.edu

UW-Oshkosh

Main Contact

Linda Bartelt
Director, Center for Community Partnerships
University of Wisconsin-Oshkosh
347 City Center
Oshkosh, WI 54901
Phone: 920-424-2366
Fax: 920-424-2005
E-mail: barteltl@uwosh.edu

Web Site

www.uwopartners.org

UW-Parkside

Main Contact

Lenny Klaver, Ed.D.
University Relations & Advancement
University of Wisconsin-Parkside
900 Wood Road - Box 2000
Kenosha, WI 53141-2000
Phone: 262-595-2591
Fax: 262-595-2440
E-mail: klaver@uwp.edu

Web Site

www.uwp.edu

UW-Platteville

Main Contact

Barbara Daus
Special Assistant to the Chancellor
University of Wisconsin-Platteville
303 Brigham Hall
1 University Plaza
Platteville WI 53818-3099
Phone: 608-342-1282
Fax: 608-342-1270
Email: Daus@uwplatt.edu

Web Site

www.uwplatt.edu

UW-River Falls

Main Contact

Barbara Nemecek
Dean, College of Business & Economics
UW-River Falls
124 South Hall
River Falls, WI 54022
Phone: 715-425-3335
E-Mail: barbara.nemecek@uwrf.edu

Web Site

www.uwrf.edu/cbe

UW-Stevens Point

Main Contact

Vicki Lobermeier
Director, Small Business Development Center
UW-Stevens Point
2100 Main Street, Room 032
Phone: 715-346-2288
E-mail: Vicki.Lobermeier@uwsp.edu

Web Site

www.uwsp.edu

UW-Stout

Main Contact

Christopher Smith
Executive Director, Outreach Services
Director, Stout Technology Park
Outreach and Research Services Office: 715-232-2488
Technology Park Office: 715-232-2245
Fax: 715-232-5030
Email: smithch@uwstout.edu

Web Site

www.uwstout.edu

UW-Superior

Main Contact

Heather Heart
Director of University Advancement
University of Wisconsin-Superior
Belknap & Catlin, Main 237
Superior, WI 54880
Phone: 715-394-8356
E-mail: relations@uwsuper.edu or hheart@uwsuper.edu

Web Site

www.uwsuper.edu

UW-Whitewater

Main Contact

Bud Gayhart
Interim Director
Center for Innovation and Business Development
402 McCutchan Hall
University of Wisconsin-Whitewater
Whitewater, WI 53190
Office: 262-472-1365
Direct: 262-472-1366
Fax: 262-472-1600
Email: gayhartr@uww.edu

Web Site

www.uww.edu/business/business

UW Colleges

Main Contacts

UW-Baraboo/Sauk County

Thomas Pleger, Interim Dean
1006 Connie Road
Baraboo, WI 53913
Phone: 608-355-5222
Email: thomas.pleger@uwc.edu

UW-Barron County

Paul Chase, Dean
1800 College Drive
Rice Lake, WI 54868
Phone: 715-234-8176 x5401
Email: paul.chase@uwc.edu

UW-Fond du Lac

Daniel Blankenship, Dean
400 University Drive
Fond du Lac, WI 54935
Phone: 920-929-3602
Email: daniel.blankenship@uwc.edu

UW-Fox Valley

James Perry, Dean
1478 Midway Rd.
Menasha, WI 54952
Phone: 920-832-2612
Email: james.perry@uwc.edu

UW-Manitowoc

Daniel Campagna, Dean
705 Viebahn Street
Manitowoc, WI 54220
Phone: 920-683-4711
Email: daniel.campagna@uwc.edu

UW-Marathon County

James Veninga, Dean
518 South 7th Avenue
Wausau, WI 54401
Phone: 715-261-6223
Email: james.veninga@uwc.edu

UW-Marinette

Paula Langteau, Dean
750 West Bay Shore
Marinette, WI 54143
Phone: 715-735-4339
Email: paula.langteau@uwc.edu

Web Site

www.baraboo.uwc.edu

www.barron.uwc.edu

www.fdl.uwc.edu

www.fox.uwc.edu

www.manitowoc.uwc.edu

www.uwmc.uwc.edu

www.marinette.uwc.edu

UW-Marshfield/Wood County

Andrew Keogh, Dean
2000 West Fifth Street
Marshfield, WI 54449
Phone: 715-389-6538
Email: Andrew.keogh@uwc.edu

www.marshfield.uwc.edu

UW-Richland

Deborah Cureton, Dean
1200 Hwy 14 West
Richland Center, WI 53581
Phone: 608-647-6186 x222
Email: deborah.cureton@uwc.edu

www.richland.uwc.edu

UW-Rock County

Diane Pillard, Dean
2909 Kellogg Avenue
Janesville, WI 53546
Phone: 608-758-6522
Email: diane.pillard@uwc.edu

www.rock.uwc.edu

UW-Sheboygan

Mary Beth Emmerichs, Interim Dean
One University Drive
Sheboygan, WI 53081
Phone: 920-459-6610
Email: mary_beth.emmerichs@uwc.edu

www.sheboygan.uwc.edu

UW-Washington County

David Nixon, Dean
400 University Drive
West Bend, WI 53095
Phone: 262-335-5203
Email: david.nixon@uwc.edu

www.washington.uwc.edu

UW-Waukesha

Patrick Schmitt, Dean
1500 N. University Drive
Waukesha, WI 53188
Phone: 262-521-5435
Email: patrick.schmitt@uwc.edu

www.waukesha.uwc.edu

UW-Extension**Main Contact**

Marv Van Kekerix
Provost & Vice Chancellor
Phone: 608-262-6151
E-Mail: marv.vankekerix@uwex.edu

Web Site

www.uwex.edu/

• Community Resource Development

www.uwex.edu/ces/cnred/

• **Small Business Development Center - SBDC**

www.wisconsinsbdc.org/

• **Agriculture & Agribusiness**

www.uwex.edu/ces/ag/

• **Continuing Education**

www.uwex.edu/ce/

UW Economic Development Web Portal Advisory Team

Advisory Team Members

Chris Smith	Executive Director	Outreach Services	UW-Stout
Charles Hoslet	Managing Director	Office of Corporate Relations	UW-Madison
Marv Van Kekerix	Provost and Vice Chancellor	Office of the Provost & Vice Chancellor	UW-Extension
Michael Childers	Assistant Professor	School for Workers	UW-Extension
Sam White	Director	Center for Workforce Development	UW-Milwaukee
Robin Shepard	Community, Natural Resource and Economic Development State Program Leader	Cooperative Extension	UW-Extension
Rick Klemme	Interim Dean	Cooperative Extension	UW-Extension
Mary Grant	Associate Dean	Continuing Education, Outreach & E-Learning	UW-Extension
Jessica Tormey	Special Assistant	Communications & External Relations	UW System
Debra Malewicki	Interim Director	Business & Manufacturing Extension	UW-Extension

Department of Commerce

Mary Burke	Secretary	Office of the Secretary	Wisconsin Department of Commerce
------------	-----------	-------------------------	----------------------------------

WTCS

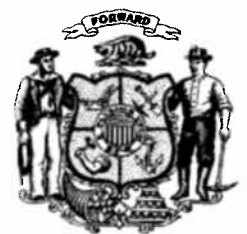
Jim Zylstra	Vice President	Finance Office	WTCS
-------------	----------------	----------------	------

Project Director

John Fischer	Outreach Program Manager	Continuing Education, Outreach & E-Learning	UW-Extension
--------------	--------------------------	---	--------------



WISCONSIN STATE LEGISLATURE





WISCONSIN
TECHNICAL COLLEGE
SYSTEM

February 15, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Sullivan and Representative Jeskewitz:

This letter is in response to a recommendation from the Legislative Audit Bureau in their August 2006 report entitled *State Economic Development Programs*. The Audit Bureau specifically requested a report on the Wisconsin Technical College System's progress toward implementing the following recommendations:

- publish comprehensive directories of 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
- designate an economic development liaison at each institution, from within existing staff, to coordinate with other state and local economic development efforts.

I am pleased to report that we have completed implementation of both of these recommendations. We established an economic development portal on the System's website that provides links to all 16 technical colleges economic development web pages which can be found at www.wtcsystem.org/initiatives/econ_dev. The colleges' web pages provide detailed information regarding the unique training programs and technical assistance available from that college for entrepreneurs, businesses and industry, as well as the community. Furthermore, all 16 colleges have designated an economic development liaison whose contact information can also be found at the System's economic development portal.

I would also like to provide you with some updated information regarding the Workforce Advancement Training Grant program which was identified in the Audit Bureau's report. This program was created as part of the 2005-07 biennial budget and provided \$2.0 million in funding that allows Wisconsin's workers to compete in the global economy. The Workforce Advancement Training Grant program is a collaborative effort between the technical colleges and local businesses to help employees upgrade their skills and improve their productivity, and support regional workforce and economic development efforts.

During the program's first two years, nearly 12,000 workers will be trained at over 100 companies throughout Wisconsin. This program, which can include any combination of academic, occupational, and employability topics or courses, has been well received by business and industry. When surveyed about their experience with the Workforce Advancement Training Grant program, 100 percent of participating

Daniel Clancy, President

4622 University Avenue, PO Box 7874 Madison, Wisconsin 53707-7874 608.266.1207
TTY: 608.267.2483 Fax: 608.266.1690
www.wtcsystem.edu www.witechcolleges.com

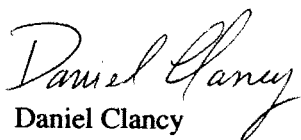
Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Page 2
February 15, 2007

employers indicated that the customized training improved employee skills. Participating employers gave very positive responses on other key indicators as well, including 89 percent reporting an improved work environment; 74 percent reporting cost savings to their operations; and 48 percent reporting reductions in employee turnover. Overall, a remarkable 97 percent of employers plan to return to the technical college to meet future training needs.

It is important to note that the Workforce Advancement Training Grant program is only one component of the System's important mission of providing customized training and technical assistance to business and industry in order to make their companies more productive and efficient. Each year employees upgrade their knowledge and skills in a wide variety of disciplines including health care, manufacturing, computer technology, business leadership, and transportation, to name just a few. In FY 2005-06 the technical colleges provided training to over 117,000 individuals through nearly 6,500 customized training contracts which generated \$26.0 million in revenue for the colleges. This customized training is provided in a number of flexible formats, including on-site training at a business, using distance learning technology, or at one of the System's many campuses around the state.

I would like to again thank you for your continued support of the Wisconsin Technical College System. If you have any further questions regarding our economic development initiatives or programs, please do not hesitate to contact me.

Sincerely,



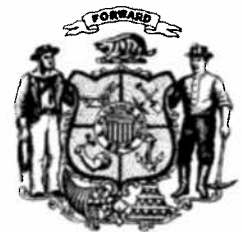
Daniel Clancy
President

DC:JEZ:kss

cc: Members, WTCS Board
Presidents, Wisconsin Technical College System
Janice Mueller, State Auditor



WISCONSIN STATE LEGISLATURE



MEMORANDUM

DATE: February 15, 2007

TO: Senator Jim Sullivan and Representative Suzanne Jeskewitz, Co-Chairs
Joint Legislative Audit Committee

CC: Janice Mueller, State Auditor
Wisconsin Legislative Audit Bureau

FROM: Mary P. Burke, Secretary

SUBJECT: Recommendations regarding Audit of State Economic Development Programs

This memo outlines the Department of Commerce's recommendations to a variety of issues raised by the 2006 Legislative audit of the State's Economic Development Programs in the following areas:

1. Recommendations and updates on consolidation and coordination of state programs
2. Recommendations and updates on Commerce's tracking and monitoring of outcomes
3. Update on Commerce and the Department of Revenue's work to track and monitor tax credit usage
4. A summary of Commerce's internal evaluation of the Certified Capital Company (CAPCO) program

Highlights of Commerce's effort to respond to the audit include:

- Identifying 28 programs that can be consolidated or eliminated
- Reviewing 64 remaining Commerce programs to assist potential legislative efforts to further consolidate programs, as recommended by the Legislative Audit Bureau
- Creating a cross-agency team to coordinate economic development programs to avoid overlap
- Constructing a website to provide a one-stop shop to access all state economic development programs, including Technical College and University of Wisconsin system resources
- Reorganizing Commerce to create a new Bureau of Business Finance and Compliance to strengthen tracking and monitoring of economic development project outcomes
- Enhancing computer systems to better capture data on program outcomes
- Conducting a comprehensive analysis of the Certified Capital Company (CAPCO) program

We look forward to working with the Legislature and other state agencies to implement the Governor's Grow Wisconsin agenda and ensure that Wisconsin's economic development efforts are efficient and effective in driving the creation of good-paying jobs across the state.

Recommendation #1: 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. (pg 40)

Over the last four months, the Department of Commerce has identified the following ways to further improve the organization of the state's economic development programs to enhance accessibility and effectiveness:

- 1) Formed a State Coordinating Council, led by the Secretary of Commerce and comprised of key representatives of state agencies with economic development programs, the Wisconsin Technical College System and the University of Wisconsin system. Agencies included are DWD, DOT, DATCP, DFI, Commerce, DNR, and WHEDA. This group will meet quarterly to:

- Further improve the coordination of programs to avoid duplication;
- Establish common metrics for evaluating program effectiveness;
- Improve communication of programs to make them more accessible to the public; and,
- Oversee five sub-groups that have been formed to coordinate efforts within specific types of programs:

- i) Training
- ii) Technical Assistance (including marketing and promotion)
- iii) Business Financing
- iv) Business Planning
- v) Community Development

- 2) Establish a portal website to provide one place that has all of the state's economic development programs, including those at the Technical Colleges and the University of Wisconsin system.

- Initial meetings have already taken place and planning has started. The lead is being taken by the UW System with close coordination with Department of Commerce (representing all state agencies) and the technical college system.
- The site will be searchable by different types of assistance and provide links to websites that provide specific information on each program.
- This new portal, along with the Wisconsin Entrepreneur's Network, will provide comprehensive, easy access to all the state's programs.

- 3) Consolidate entrepreneur helplines

The Wisconsin Department of Commerce and the Small Business Development Centers (SBDC) each offered a toll free number to individuals interested in starting a business in Wisconsin. To reduce agency costs, improve services and avoid the appearance of duplication between two government entities, Commerce merged the two help lines into one entity housed at the state office of the SBDCs and Wisconsin Entrepreneurs's Network (WEN). By funneling calls to one centralized location, it is now easier for Wisconsin entrepreneurs to acquire business start-up information. The SBDC tracks the client contacts, provides Commerce with information on the number of calls received, amount of time spent with the caller, types of businesses being started and other key metrics. The phone number is 1-800-HELP BUS or 1-800-435-7287.

What is the
time frame for
completion?

4) Consolidate programs in Wisconsin Development Fund

- Governor Doyle's 2007-09 budget again calls for consolidation of nine programs in the Wisconsin Development Fund (WDF) into one program and authorizes the agency at the request of the WDF Board to fund "eligible recipients for eligible activities". The "eligible activities" include those covered in the nine consolidated programs.

5) Delete inactive, duplicative or unfunded programs.

- There are fifteen programs identified in the audit that have or could be deleted from the statute within the Department of Commerce. These include:

?
which of
these are
a) inactive
b) duplicative
c) unfunded

- i) Technology Development Assistance (#27)
- ii) Management Assistance Grants and Loans (#28)
- iii) Technical Assistance Grants (#29)
- iv) Certified Capital Companies Program (#30)
- v) Snow Emergency Loans (#60)
- vi) Mining Economic Development Grants and Loans (#64)
- vii) Recycling Early Planning Grants (#77)
- viii) Recycling Loans (#78)
- ix) Recycling Technology Assistance Loans (#79)
- x) Technology Based Economic Development Information Exchange/Clearinghouse (#89)
- xi) Manufacturing Assessment Center (#90)
- xii) Seed Capital Fund (#91)
- xiii) Employee Ownership Program (#99)
- xiv) Revolving Loan Fund Capitalization Program (#103)
- xv) Small Business Innovative Research Grants (#104)

Note: Eliminating the Certified Capital Companies program from the statutes should maintain the existing reporting requirements for the current participants.

- There appear to be four additional programs at other state agencies that have been eliminated because they are no longer active or because there are other programs better addressing these goals. These include:

- i) DATCP: Sustainable Agriculture Grants (#3)
- ii) DATCP: Payments to Ethanol Producers (#14)
- iii) DNR: Sustainable Urban Development Zone (#114)
- iv) WHEDA: Beginning Farmer Bond Program (#144)

6) Revise definition of programs

- Commerce believes it may be helpful in considering consolidation for the Legislature to differentiate between programs they have established that provide financial assistance on a discretionary basis and other categories. Of the 88 Commerce "programs" listed in the audit, 13 are not potential sources of funding for the general public, businesses, nonprofits, or local governments. Six are earmarked grants the Legislature has provided for specific organizations and seven refer to employees funded at Commerce that engage in various types of economic and community development.

i) Earmarked funding by Legislature for specific organizations

- WWBIC (#38)
- Youth Entrepreneurship Teaching Grants (#39)
- Forward Wisconsin (#54)
- Wisconsin Entrepreneur's Network (#96)
- Wisconsin Manufacturing Partnership (#110)
- Wisconsin Technology Council (#111)

ii) Funding for Commerce personnel/operations

- Area Development Managers (#24)
- Dairy 2020 (#46)
- Minority Business Enterprise Program (#74)
- Native American Liaison (#76)
- Small Business Clean Air Assistance Program (#87)
- Small Business Ombudsman (#88)
- Wisconsin Main Street (#109)

7) Further consolidation

After implementation of these recommendations, there will be roughly 50 programs at Commerce out of the 88 listed. We make it easy for entrepreneurs and businesses to access these without knowledge of the 50 programs by having one simplified application form (Prospect Data Sheet).

We would welcome the opportunity to work with the Legislature to determine how to further consolidate the remaining 50 programs. Currently, the different sources of funding require the agency to delineate between specific programs even though many of the programs serve the same function. For example, the entrepreneurial development/business planning programs include the following:

- Economic Diversification Early Planning Grants (Gaming Revenue Fund)
- Economic Impact Early Planning Grants (Gaming Revenue Fund)
- Minority Early Planning Grants (Minority Business Fund)
- Dairy 2020 Early Planning Grants (Rural Economic Development Fund)
- Rural Early Planning Grants (Rural Economic Development Fund)
- Technology Assistance Planning Grants (Wisconsin Development Fund)
- Urban Early Planning Grants (Wisconsin Development Fund)

These seven programs all do the same thing –provide for the creation of a business plan. When promoting this service, Commerce markets the availability of a grant to help individuals or businesses hire an independent third party to write a business plan. The agency does not list the seven different business planning programs. Based on the type of applicant, the appropriate program is used. Therefore, it is not a case of seven different programs; instead, it is one program available for a number of different constituents. A similar situation exists with the Entrepreneurial Training Grants (3), tax credits programs (7), capital financing (7) and technology programs (5).

8) Consolidate local Revolving Loan Funds

- Commerce has recently launched a new initiative to consolidate regionally local Revolving Loan Funds (RLFs). Currently, there are more than 200 RLFs statewide, many of which are underutilized. Commerce's Regional Non-Profits Initiative is a collaborative state-local effort, consolidating the local RLFs into 8-12 regions to deploy more than \$50 million in funding for business development projects across the state. The initiative is designed to encourage local governments to work regionally, streamline the management of RLFs, and improve local capacity for economic development. If the funds are managed by regional non-profit organizations, the federal requirements can be eliminated, affording greater flexibility which will allow more types of projects to be funded, such as downtown revitalization, technology and entrepreneurial development. Two pilot regions representing 14 counties in Northwest Wisconsin are currently underway.

Summary

Over the course of the last four months we have met with various parties to solicit ideas on how we can streamline our development programs. We feel the recommendations above will greatly improve coordination and communication of the programs. We are ready to work with the Legislature to identify further options for consolidation.

Recommendation #2: 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-ups business success rates, and the levels of wages and benefits for jobs created and employees retained. (pg 77)

and

Recommendation #3: We recommend the Department of Commerce improve its procedures for monitoring the long-term success of projects it funds. (pg 79)

The Department of Commerce has already or is in the process of implementing numerous procedures to improve the tracking and reporting activities as it relates to individual projects receiving funding from the agency.

1. Recognizing the need to elevate the tracking and reporting activities of the agencies as it relates to economic development, the Wisconsin Department of Commerce is reorganizing the Division of Business Development to include a Bureau of Business Finance and Compliance. This new bureau will allow the agency to improve its efforts in measuring the effectiveness of financial assistance programs, better monitor projects and to follow up on actual program outcomes.
2. Commerce took two existing vacant positions and restructured them to strengthen our compliance activities and address other areas of concern identified by the LAB audit. Compliance Specialists will:
 - Ensure that project deliverables detailed in award agreements are met. If not met,

timeframe

they will make sure that companies pay penalties outlined in the contract.

- Evaluate certified businesses for compliance in the hiring and retaining of target group members.
 - Evaluate award recipient performance records and reports to assure compliance with program requirements and objectives.
 - Assist in problem loan resolution.
 - Negotiate collection of defaulted loans and work with the companies to restructure terms if needed.
 - Close out projects as they are completed.
 - Track performance measures of programs as a whole.
 - Monitor information available from other agencies such as the "Mass Layoffs List" from DWD to determine if any of the businesses listed have received an award from the Commerce. If the layoff will put the business in jeopardy of violating its contract with the agency, Commerce will take appropriate action, which may include assessing a penalty..
3. Commerce has enhanced the annual reporting information required to be submitted by Community Development Block Grant (CDBG) recipients over the lifetime of the project by improving the quantity and quality of data in the Integrated Disbursement and Information System.
 4. In partnership with the Wisconsin Entrepreneurs' Network (WEN), more detailed information will be gathered on recipients of the Early Planning Grant and Entrepreneurial Training Grant programs through the use of IMPLAN, an economic impact assessment modeling system. By using IMPLAN, information on the number of new businesses started, the success rate of those businesses and the impact of those new businesses on the Wisconsin economy will be readily available.
 5. All of Commerce's awards and activities related to economic development projects are captured in an Access database system called "Pearl." The agency has enhanced this internal database system to capture more data. For every award made by the agency, Commerce will move from tracking the following information manually to capturing the data electronically:
 - Number of jobs created
 - Number of jobs retained
 - Average wages/total state wages
 - Capital investment made by company on the project
 - Health insurance offered and percent of healthcare premium paid by company
 6. Commerce is exploring an "Online Accountability for Businesses" webpage similar to what the state of Illinois currently operates. Illinois has implemented a searchable

database that has two components: a database which lists all businesses and organizations receiving economic development assistance and an annual report that details the recipient's progress in the development and employment commitments for the project. Each recipient of a state award must submit an annual progress report to the IL Dept. of Commerce and Economic Opportunity detailing the following:

- the type of program and amount of assistance received from the state
- total number of employees at the site, including new and retained employees
- a detailed list of occupations and job classifications
- average annual salaries of the positions
- a narrative of whether employment has been reduced at any site in IL
- a signed declaration of compliance with the company's contract
- certification by the chief officer of the business that the information in the progress report is accurate.

Budget

The Wisconsin Department of Commerce currently requires awardees to submit a paper copy annual report. An online system like this would allow for greater transparency. The agency would need to request additional funds to procure such a system. Cost estimates to create and manage the online system for the first year would be approximately \$200,000 with an additional \$56,000 necessary in the subsequent years to fund one FTE position.

Recommendation #4: 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. (pg 96)

The Departments of Commerce and Revenue are working together to implement procedures that would improve the tracking of tax credits awarded through several tax credit programs offered through the Department of Commerce. The Department of Commerce currently tracks the amount of tax credits earned and verifies the amount of tax credits that may be claimed as an incentive to the company. Based on job creation, capital investment or other criteria specified in the original award, Commerce issues a statement to the company each year authorizing them to claim a specified amount of tax credits. The company includes this statement with their tax return to facilitate review by the Department of Revenue. The forms developed by the Departments of Commerce and Revenue to track tax credits earned and claimed are attached in the appendix.

timeframe

Because tax credits earned in excess of annual tax liability can be carried over for up to 15 years, tax credits may be claimed in years after they are earned. The Department of Revenue has reviewed departmental operations, and Commerce and Revenue have met to discuss this issue. The primary concern that the agencies are working to address is to ensure that entities are not claiming more tax credits than they earn. While the amount of credits claimed by C-corporations can currently be reported, pass-through entities such as S-corporations and partnerships present additional complexity in tracking credits in the manner suggested by the Legislative Audit Bureau. The Departments of Commerce and Revenue are continuing to evaluate options taking into consideration the need for accurate reporting and monitoring of tax credits claimed, cost-effectiveness, simplicity for businesses using credits, and protection of confidential tax information.

Recommendation #5: 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. (pg 101)

The Certified Capital Companies ("CAPCO") Program was created by 1997 Wisconsin Act 215 to stimulate the development of small high-growth businesses in Wisconsin by improving access to venture capital. In 1999, Commerce certified three CAPCOs – Advantage Capital Wisconsin Partners, I, LP; Banc One Stonehenge Capital Fund Wisconsin, LLC; and Wilshire Investors, LLC, who are responsible for making qualified investments in qualified Wisconsin businesses. Commerce certified \$50 million in tax credits allocated over 10 years to 33 insurance companies as dollar for dollar match of their investment made into the CAPCOs. For a more detailed overview of the CAPCO program, please refer to the Legislative Audit Bureau Report 06-9.

Commerce conducts annual performance reviews of the CAPCOs in accordance with s. 560.38, Wis. Stats.. In recognition of reaching the five-year qualified investment schedule as outlined in s. 560.34 (1m), Commerce undertook a detailed review of the program from inception through December 31, 2004, including surveying all qualified businesses and on site reviews of the CAPCOs' records. Below is a summary highlighting some of the review findings. For more detailed information, attached are the complete reviews of the activities of the three CAPCOs.

While performance varies across the CAPCOs, Commerce continues to have concerns about this program as it was structured in 1997. In particular, Commerce's review shows that a \$50 million tax expenditure has generated only \$26 million in investment in 19 companies between 1999 and 2005. Moreover, the CAPCO companies have collectively created one job for every \$158,228 in tax credits (through 2004). This metric compares unfavorably to other economic development programs administered by Commerce. Commerce would recommend significant alterations or substitutes should the legislature wish to reauthorize this program.

CAPCO Activity Summary

As of December 31, 2004, the CAPCOs had made qualified investments of 52% of certified capital, in compliance with s. 560.34 (1m) requiring at least 50% of the certified capital pool to be invested in qualified businesses within five years of initial capitalization. (No additional investments are required of the CAPCOs after five years.) The CAPCOs had paid out over \$14 million in management fees and \$20.5 million in debt payments. Please see Appendix D in the respective individual CAPCO reviews.

CAPCO		
QUALIFIED INVESTMENTS AND MANAGEMENT FEES/EXPENSES		
From October 27, 1999 to December 31, 2004		
	CAPCO Activity	% of Certified Capital¹
Advantage Capital WI Partners I, LP:		
Certified Capital Investment - 10/27/99	\$16,666,667	
<i>Qualified Investments into Qualified Businesses</i>	(\$8,394,074)	50.36%
<i>Management Fees/Expenses</i>	(\$3,748,374)	22.49%
<i>Debt/Certified Investor Principal Payments</i>	(\$7,100,000)	42.59%
Banc One Stonehenge Capital Fund WI, LLC:		
Certified Capital Investment - 10/27/99	\$16,666,667	
<i>Qualified Investments into Qualified Businesses</i>	(\$9,270,000)	55.62%
<i>Management Fees/Expenses</i>	(\$4,691,653)	28.15%
<i>Debt/Certified Investor Principal Payments</i>	(\$4,863,070)	29.18%
Wilshire Investors, LLC:		
Certified Capital Investment - 10/27/99	\$16,666,667	
Adjustment/Ins Policy Warrants - 10/27/99	\$ 979,166	
<i>Qualified Investment into Qualified Businesses</i>	(\$8,350,000)	50.10%
<i>Management Fees/Expenses</i>	(\$5,687,925)	34.13%
<i>Debt/Certified Investor Principal Payments</i>	(\$9,439,013)	56.63%
<p>¹ Percentages shown are greater than 100% of Certified Capital due to qualified business cash flow back to CAPCO via principal and interest, covered expenses, and equity liquidations, as well as exchange of and return on non-qualified investments. Qualified business repayments to CAPCOs equaled \$10,132,025 through 12/31/04.</p> <p>² Less adjustment for Wilshire Insurance Policy.</p>		

Economic Impact

The CAPCOs made investments in 19 qualified businesses, five of which subsequently went out of business. Three qualified businesses received side-by-side investments from two of the CAPCOs. The following charts show the impact of the CAPCO program related to job creation.

Economic Impact through 2004

CAPCO	Qualified Businesses	Total Investment	New Jobs		Total Investment per WI Job	Total Tax Credits per WI Job ¹
			WI	Total		
Advantage Capital	7	\$ 8,394,074	176	206		
Banc One Stonehenge	10	\$ 9,270,000	114	132		
Wilshire Investors	5	\$ 8,350,000	57	58		
Less 2 nd investments	(3)		(31)	(32)		
TOTAL	19	\$26,014,075	316	365	\$82,323	\$158,228

¹ Based on \$50,000,000 in allocated tax credits

Jobs are only reported through 2004 as outlined by statutory reporting requirements. Job creation after this time is not included since companies have not been reported consistently.

JOB IMPACT	
316 WI Jobs Payroll @ \$20/hr	\$13,145,600
Payroll Tax	X 6%
Net Benefit/Year	\$ 788,736
For illustrative purposes only. Estimated average wage per job; payroll tax on an unadjusted basis.	

CAPCO Activity 2005-2006

As noted previously, no additional investments are statutorily required of the CAPCOs subsequent to the five-year benchmark; however, the CAPCOs are required to continue to report annually to the Department through 2009. New jobs are not included below due to inconsistent reporting by the CAPCOs.

2005 Activity

- Advantage Capital Wisconsin Partners I, LP reported follow-on equity investments totaling **\$919,548** into two qualified businesses. It also reported its first investment of **\$100,000** into another business. It reported receiving **\$42,302** in qualified business repayments.

- Banc One Stonehenge Capital Fund Wisconsin, LLC reported follow-on equity investments totaling **\$117,500** into two qualified businesses. It also made equity investments of \$1.3 million into two new businesses. It reported receiving **\$9,583,573** in qualified business repayments.
- Wilshire Investors, LLC reported no new investments. It reported receiving **\$91,676** in qualified business repayments.

2006 Activity

- Advantage Capital Wisconsin Partners I, LP reported follow-on equity investments totaling **\$757,247** into two qualified businesses. It reported receiving **\$1,461,394** in qualified business repayments.
- Banc One Stonehenge Capital Fund Wisconsin, LLC reported follow-on equity investments totaling **\$67,500** into one qualified business. It also reported equity investments of **\$1.6 million** into two new businesses and a convertible loan of **\$900,000** to another business. It reported receiving **\$4,855,199** in qualified business repayments.
- Wilshire Investors, LLC reported follow-on equity investments totaling **\$288,750** into one qualified business. It reported receiving **\$2,144,316** in qualified business repayments.

APPENDIX

- 1) Tax Credit Verification Form**
- 2) Tax Credit Annual Report**
- 3) Schedule DC**



DEVELOPMENT ZONE CERTIFICATION/VERIFICATION FORM

SECTION I. COMPANY				
Business Name	Telephone Number:			
Zone Address (City, State, Zip Code)	Fax Number:			
Contact Person and Address	FEIN Number:			
	Website:			
	Telephone Number:			
	Fax Number:			
	E-mail:			
Business Entity	Business Activity	Tax Year End		
SECTION II. CERTIFICATION				
Certification Date:	Employment Base:	Development Zone Jobs To Be Created:		
Tax Benefit Limit: \$	Total Estimated Investment: \$			
Environmental Remediation Credit Estimates: \$				
SECTION III. VERIFICATION				
Current Employment Level (base plus created):	Total Past Year Investment: \$			
Target Group Hires To Date:	Jobs Credit Waiver Granted? N/A <input type="checkbox"/> Yes <input type="checkbox"/>			
Credits verified and Tax Benefit Limit* for the tax year ending :				
	Verified Credits	Verified Credits To Date		
Environmental Remediation	\$	\$		
Jobs	\$	\$		
TOTALS	\$	\$		
			Tax Benefit Limit	Remaining Credits To Be Verified
			\$	\$

*The Department of Commerce certifies that the Person named above meets the requirements of Subchapter VI., Ch. 560.798, Wis. Stats., and is therefore eligible to claim Development Zone Tax Benefits up to the limit established on this form.

Mary Gage	Acting Bureau Director	
Name	Signature	Title
		Date



DEVELOPMENT ZONE ANNUAL PROJECT REPORT

PART I. GENERAL BUSINESS INFORMATION				
Business Name and Address (Street, City, State, Zip)		FEIN	Telephone Number	Fax Number
Development Zone Address (Street, City, State, Zip)		Tax Year End	Development Zone	
Contact Person, Title		Address (Street, City, State, Zip)	Telephone Number	Fax Number
Tax Preparer, Title		Address (Street, City, State, Zip)	Telephone Number	Fax Number
			Website Address:	
			Email Address:	
			Email Address:	
PART II. SUMMARY OF BUSINESS ACTIVITIES				
<p>Provide a summary of business activities for the past fiscal year. Please describe any growth that has taken place, including new jobs, new equipment, plant expansion and other capital expenditures, as well as any factors that may have had an adverse effect on your business operations in the past year. Briefly address the company's plans for the next year, including projected growth and anticipated hiring. Attach additional pages if needed.</p>				
<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>				
<p>Total capital investment (excluding payroll) in the twelve-month period: \$ _____</p>				
<p>Estimated WI income tax liability (if known at this time; otherwise provide prior year's tax liability): \$ _____</p>				
<p>► For tax-option (S) corporations, partnerships and LLCs, please provide current year net income (if known at this time; otherwise provide prior year's net income): \$ _____</p>				
PART III. ENVIRONMENTAL REMEDIATION EXPENSES				
<p>If your business has been certified for environmental remediation credits, please describe the remediation activities undertaken through the end of your fiscal year and provide the total eligible remediation expenses. Attach additional pages if needed. Please attach documentation (i.e. copies of invoices) of eligible remediation expenses.</p>				
<hr/> <hr/> <hr/> <hr/> <hr/>				

PART IV. EMPLOYMENT SUMMARY (from the fourth quarter payroll of your tax year)

UI ACCOUNT NUMBER _____

Attach a copy of your company's Development Zone site payroll records **from the fourth quarter of your tax year**. This information is not subject to Wisconsin's Open Records Law. Only full-time positions filled by Wisconsin residents will be counted for tax credit purposes. Payroll information must include each employee's:

- Name and/or Social Security Number of Each Employee
- **4th Quarter** Total Hours Worked for Each Employee
- **4th Quarter** Hourly Pay Rate or Total 4th Quarter Earnings for Each Employee
- Start Date and Termination Date
- State of Residency

PART V. HIRING OF TARGET GROUP MEMBERS

Please provide information on the efforts made throughout the course of the year to identify and hire members of the targeted groups. Attach additional pages if needed. _____

PART VI. BUSINESS AFFIDAVIT

I hereby attest and certify that _____'s (*company name*) Annual Report is true and correct to the best of my knowledge. Furthermore, in order to facilitate administration of the development zone program under subchapter VI of chapter 560, the business hereby authorizes the Department to release the annual project report and the information contained therein to the local development zone administrator.

Name/Title of Authorized Company Representative

Signature

Date

PLEASE RETURN THIS COMPLETED FORM AND REQUIRED SUPPORTING DOCUMENTATION TO:

**THE DEPARTMENT OF COMMERCE
BUREAU OF BUSINESS DEVELOPMENT
201 WEST WASHINGTON AVENUE
P.O. BOX 7970
MADISON, WI 53707-7970**

Upon completion of a review of your Annual Report, Commerce will issue you a Verification Form. It must be attached to your Wisconsin Income Tax Return. A certified firm can file for Wisconsin development zone tax credits using the Wisconsin Schedule DC tax form.

Name	Identifying Number
------	--------------------

Part I Development Zones Credit

1 Enter the development zones credit for environmental remediation	1
2 Enter the development zones credit for job creation or retention	2
3 Add lines 1 and 2. This is the development zones credit before pass-through credits	3
4 Enter development zones credit passed through from other entities	4
5 Add lines 3 and 4. This is your 2006 credit	5
6 Carryover of unused development zones credit	6
7 Add lines 5 and 6. This is the available development zones credit	7

Part II Development Opportunity Zone Investment Credit

8 Enter the purchase price of depreciable, tangible personal property purchased during the taxable year that is used in the conduct of business in an opportunity zone:	
a Qualified purchases expensed under IRC section 179	8a
b Qualified purchases not expensed under IRC section 179	8b
9 Multiply line 8a by 1.75% (0.0175)	9
10 Multiply line 8b by 2.5% (0.025)	10
11 Add lines 9 and 10. This is the investment credit before pass-through credits	11
12 Enter investment credit passed through from other entities	12
13 Add lines 11 and 12. This is your 2006 credit	13
14 Carryover of unused opportunity zone investment credit	14
15 Add lines 13 and 14. This is the available opportunity zone investment credit	15

Part III Development Opportunity Zone or Agricultural Development Zone Capital Investment Credit

16 Enter the purchase price of depreciable, tangible personal property purchased during the taxable year that is used in the conduct of business in an opportunity zone or agricultural zone	16
17 Enter the amount expended during the taxable year to acquire, construct, rehabilitate, remodel, or repair real property in an opportunity zone or agricultural zone	17
18 Add lines 16 and 17	18
19 Multiply line 18 by 3% (0.03). This is the capital investment credit before pass-through credits	19
20 Enter capital investment credit passed through from other entities	20
21 Add lines 19 and 20. This is your 2006 credit	21
22 Carryover of unused capital investment credit	22
23 Add lines 21 and 22. This is the available capital investment credit	23

Part IV Recapture of Investment Credit

	Properties		
	A	B	C
24 Enter kind of property (attach separate schedules if more space is needed)	24		
25 Date property was placed in service	25		
26 Original estimated useful life or recovery period	26		
27 Original credit	27		
28 Date property ceased to be qualified investment credit property	28		
29 Number of full years between the dates on lines 25 and 28	29		
30 Recapture percentage (from instructions)	30		
31 Multiply line 27 by the percentage on line 30	31		
32 Add line 31, columns A through C, plus any amounts from separate schedules			32
33 Portion of original credit (line 27) not used to offset tax in any year, plus any carryforward of credits you can now apply to the original credit year			33
34 Subtract line 33 from line 32. This is the total increase in tax			34





WISCONSIN
TECHNICAL COLLEGE
SYSTEM

Daniel Clancy, President
Wisconsin Technical College System
Testimony before the Joint Legislative Audit Committee
Regarding the Legislative Audit Bureau Report;
State Economic Development Programs
April 18, 2007

Senator Sullivan, Representative Jeskewitz, and members of the Joint Legislative Audit Committee, thank you for your invitation to provide additional testimony regarding the Legislative Audit Bureau's review of state economic development programs. The report made two recommendations for the Wisconsin Technical College System:

- publish comprehensive directories of 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
- designate an economic development liaison at each institution, from within existing staff, to coordinate with other state and local economic development efforts.

As I noted in a February 15, 2007 letter to the Audit Committee, I am pleased to report that we have completed implementation of both these recommendations. We established an economic development portal on the System's website that provides links to all 16 technical colleges economic development web pages, and is located at www.wtcsystem.edu/initiatives/econ_dev. The colleges' web pages provide detailed information regarding the unique training programs and technical assistance available from that college for entrepreneurs, businesses and industry, as well as the community. Furthermore, all 16 colleges have designated an economic development liaison whose contact information can also be found at the System's economic development portal.

The Wisconsin Technical College System plays a key role in the State's economic vitality and competitive future. The System fosters economic development by educating and training individuals who can quickly enter the workforce and by helping incumbent workers gain the skills they need to keep their companies competitive and improve their career potential.

I would like to provide you with some updated information regarding the Workforce Advancement Training grant program which was discussed as part of the Audit Bureau's report. This program was established with bipartisan support in the last state budget and provides \$2 million for incumbent worker training throughout the State. The program has demonstrated impressive success in helping Wisconsin businesses, particularly manufacturers, improve their operations and in helping Wisconsin workers achieve their individual career goals. During the program's first two years, nearly 12,000 workers will be trained at over 100 companies throughout Wisconsin. When surveyed about their experience with the program, 100 percent of

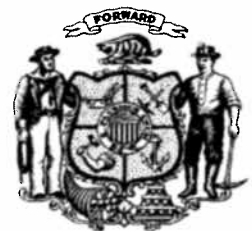
participating employers indicated the training improved employee skills. Employers also gave positive responses on other key indicators: 89 percent reported an improved work environment; 74 percent reported cost savings to their operations; and 48 percent reported reductions in employee turnover. Overall, a remarkable 97 percent of employers plan to return to the technical college to meet future training needs.

The Governor's budget (Senate Bill 40) contains an additional \$6 million in funding for the Workforce Advancement Training grant program, which will enable the Technical College System to leverage state, local, and private resources to serve an additional 267 Wisconsin businesses and nearly 36,000 incumbent workers. I ask you to support this important economic development investment which will enhance career and technical education and generate tangible benefits to our State.

I would like to again thank members of the Audit Committee for your continued support of the Wisconsin Technical College System. If you have any questions regarding our economic development initiatives or programs, I would be happy to answer them at this time.



WISCONSIN STATE LEGISLATURE



LAB Response – Draft Recommendations

1) 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. (pg 40)

WISCONSIN DEPARTMENT OF COMMERCE PROGRAMS

The LAB audit identified 88 different economic development programs housed in the Wisconsin Department of Commerce.

Thirteen of these programs are non-financial services, representing actual positions within the agency or organizations funded by Commerce. The roles of these individuals and organizations include the provision of information, technical assistance, regulatory help, networking, and other types of coordination. While these people and entities do have a role in economic development by serving wide and diverse audiences, they do not provide any direct financial awards.

- Area Development Managers
- Business Development Assistance Center* (Now the Bureau of Entrepreneurship)
- Dairy 2020 Initiative
- Forward Wisconsin
- Minority Business Assistance
- Native American Liaison
- Native American Technical Assistance
- Small Business Clean Air Assistance Program
- Small Business Ombudsman
- Wisconsin Entrepreneurs' Network
- Wisconsin Main Street
- Wisconsin Manufacturing Extension Partnership
- Wisconsin Technology Council

The following fourteen programs are inactive or outdated and several had already been removed from the statutes. In some cases, the functions associated with these programs have been absorbed by other parts of the agency.

- Technology Development Assistance
- Management Assistance Grants and Loans
- Technical Assistance Grants
- Snow Emergency Loans
- Mining Economic Development Grants and Loans
- ? - Recycling Early Planning Grants
- ? - Recycling Loans
- Recycling Technology Assistance Loans
- Technology Based Economic Development Information Exchange/Clearinghouse
- Manufacturing Assessment Center
- Seed Capital Fund
- Employee Ownership Program
- Revolving Loan Fund Capitalization Program
- Small Business Innovative Research Grants

The bulk of the remaining 61 funding programs within Commerce can be categorized into five different areas:

- Entrepreneurial Development/Business Planning Programs
- Capital Financing Programs
- Technology Programs
- Training Programs
- Tax Credits

DRAFT

All of the programs housed in the Division of Business Development (39) may be accessed through a single application, the Prospect Data Sheet (PDS). Because of the nature of the questions on the PDS, it is not necessary for applicants to know the nuances of the different funding programs or to indicate the specific program for which they are applying. Instead, the Commerce Area Development Managers and Business Finance Specialists review the PDS and make a determination on which funding program is the most applicable and appropriate to the applicant's need/situation.

The different sources of funding require the agency to delineate between specific programs even though many of the programs serve the same function. For example, the entrepreneurial development/business planning programs include the following:

- Economic Diversification Early Planning Grants (Gaming Revenue Fund)
- Economic Impact Early Planning Grants (Gaming Revenue Fund)
- Minority Early Planning Grants (Minority Business Fund)
- Dairy 2020 Early Planning Grants (Rural Economic Development Fund)
- Rural Early Planning Grants (Rural Economic Development Fund)
- Technology Assistance Planning Grants (Wisconsin Development Fund)
- Urban Early Planning Grants (Wisconsin Development Fund)

These seven programs all do the same thing –provide for the creation of a business plan. When promoting this service, Commerce markets the availability of a grant to help individuals or businesses hire an independent third party to write a business plan. The agency does not list the seven different business planning programs. Based on the type of applicant, the appropriate program is used. Therefore, it is not a case of seven different programs; instead, it is one program available for a number of different constituents. A similar situation exists with the Entrepreneurial Training Grants (3), tax credits programs (7), capital financing (7) and technology programs (5).

CONSOLIDATION OF DUPLICATIVE PROGRAMS

1. Commerce has met with the leadership of the Wisconsin Economic Development Association (WEDA) to discuss ideas for consolidation of existing agency programs. WEDA is advocating for a consolidation of the development zone tax credit programs. Internally, Commerce has discussed the advantages and ramifications of this type of consolidation. The agency is committed to continuing a dialog with WEDA members to explore the logistics and criteria of this type of consolidation.

Community
Ag.
Tech
Ent. Devel

2. In January, Commerce Secretary Mary Burke pulled together a cross agency team representing the different organizations discussed in the LAB audit report to discuss coordination of the state's economic development programs. The UW Extension has taken the lead to create an economic development portal which will catalog and connect the different existing ED programs. The portal will categorize the economic development programs under the following classifications:

OATL
DOT
WEDA
UW
DWO

- Business Financing
- Business Planning
- Marketing and Promotion
- Technical Assistance and R&D
- Training
- Community Development

3. The Commerce Bureau of Budget and Policy has submitted a budget request to the Governor's office which would streamline the functions of the Wisconsin Development Fund. Under current law, Commerce makes grants and loans from the WDF to business and local governments for promoting economic development and creating and retaining jobs under a number of different programs. The request submitted eliminates nine different specific programs and authorizes the agency at the request of the WDF board to fund "eligible recipients for eligible activities."

4. The Wisconsin Department of Commerce and the Small Business Development Centers (SBDC) each offered a toll free number to individuals interested in starting a business in Wisconsin. To reduce agency costs, improve services and avoid the appearance of duplication between two government entities, Commerce merged the two help lines into one entity housed at the SBDC. By funneling calls to one centralized location, it is now easier for Wisconsin entrepreneurs to acquire business start-up information. The SBDC tracks the client contacts, provides Commerce with information on the number of calls received, amount of time spent with the caller, types of businesses being started and other key metrics.

DRAFT

DRAFT

2) 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-ups business success rates, and the levels of wages and benefits for jobs created and employees retained. (pg 77)

and

3) We recommend the Department of Commerce improve its procedures for monitoring the long-term success of projects it funds. (pg 79)

The Department of Commerce is implementing numerous procedures to improve the tracking and reporting activities as it relates to individual projects receiving funding from the agency.

1. Recognizing the need to elevate the tracking and reporting activities of the agencies as it relates to economic development, the Wisconsin Department of Commerce has reorganized the Division of Business Development to include a Bureau of Business Finance and Compliance. This new bureau will allow the agency to improve its efforts in measuring the effectiveness of financial assistance programs, better monitor projects and to follow up on actual program outcomes.
2. Commerce took two existing vacant positions and restructured them to strengthen our compliance activities and address other areas of concern identified by the LAB audit. Areas of focus for the new Compliance Specialists include:
 - Reviewing documents and ensuring that project deliverables detailed in award agreements are met.
 - Negotiating collection of defaulted loans and working with the companies to restructure terms and negotiating settlements.
 - Evaluating certified businesses for compliance in the hiring and retaining of target group members.
 - Monitoring contract compliance.
 - Evaluating award recipient performance records and reports to assure compliance with program requirements and objectives.
 - Assisting in problem loan resolution.
 - Closing out projects as they are completed.
3. The two new compliance positions will monitor information available from other agencies such as the "Mass Layoffs List" put out by the Wisconsin Department of Workforce Development to determine if any of the businesses listed have received an award from the Commerce. If the layoff will put the business in jeopardy of violating its contract with the agency and proper follow up, which may include assessing a penalty, will take place.

DRAFT

4. Commerce has enhanced the annual reporting information required to be submitted by Community Development Block Grant (CDBG) recipients over the lifetime of the project by improving the quantity and quality of data in the Integrated Disbursement and Information System.
5. In partnership with the Wisconsin Entrepreneurs' Network (WEN), more detailed information will be gathered on recipients of the Early Planning Grant and Entrepreneurial Training Grant programs through the use of IMPLAN, an economic impact assessment modeling system. By using IMPLAN, information on the number of new businesses started, the success rate of those businesses and the impact of those new businesses on the Wisconsin economy will be readily available.
6. The current Commerce contracts with grant and loan recipients contain specific language to monitor and track the project for five years. If a company moves out of state within five years of receiving funding from Commerce, a penalty is assessed. Commerce contracts allow award recipients three years to create new positions and require the jobs to be maintained for three years or a penalty is applied.
7. All of Commerce's awards and activities related to economic development projects are captured in an Access database system called "Pearl." The agency has enhanced this internal database system to capture more data.
8. Commerce is exploring an "Online Accountability for Businesses" webpage similar to what the state of Illinois currently operates. Illinois requires each recipient of a state award to submit an annual progress report to the IL Dept. of Commerce and Economic Opportunity detailing the following:
 - the type of program and amount of assistance received from the state
 - total number of employees at the site, including new and retained employees
 - a detailed list of occupations and job classifications
 - average annual salaries of the positions
 - a narrative of whether employment has been reduced at any site in IL
 - a signed declaration of compliance with the company's contract
 - certification by the chief officer of the business that the information in the progress report is accurate.

The Wisconsin Department of Commerce currently requires awardees to submit a paper copy annual report. An online system like this would allow for greater transparency. The agency would need to request additional funds to procure such a system.

9. For every award made by the agency, Commerce will move from tracking the following information manually to capturing the data electronically:
 - Number of jobs created
 - Number of jobs retained
 - Average wages/total state wages
 - Capital investment made by company on the project
 - Health insurance offered and percent of healthcare premium paid by company

DRAFT

4) 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. (pg 96)

The Department of Commerce and the Department of Revenue are working together to implement procedures that would improve the tracking of tax credits awarded through several tax credit programs offered through the Department of Commerce. The Department of Commerce currently tracks the amount of tax credits awarded as the incentive to the company. The Department of Commerce also tracks the amount of tax credit incentive that is earned by the company based on job performance, capital investment, or other criteria defined in the original incentive. Through the receipt of tax returns filed, the Department of Revenue has access to tracking how much of the earned tax credits are actually claimed, and therefore, used or carried forward. The Department of Revenue recognizes the cost involved in capturing additional data from tax returns. DOR is in the process of identifying these costs associated with the data capture. The Department of Commerce and DOR will continue to work together to standardize the reporting information needed to report tax credit information annually.

Waiting for a letter from DOR.

DRAFT

5) 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. (pg 101)

See attached documents (executive summary and individual CAPCO report)

DRAFT

MEMORANDUM

DATE: (Enter Date, Press F11)

TO: Janice Mueller, State Auditor
Wisconsin Legislative Audit Bureau

Senator Jim Sullivan and Representative Suzanne Jeskewitz, Co-Chairs
Joint Legislative Audit Committee

FROM: Mary P. Burke, Secretary

SUBJECT: Certified Capital Companies (CAPCO) 1999-2004 Program Performance Review

The Certified Capital Companies ("CAPCO") Program was created by 1997 Wisconsin Act 215 to stimulate the development of small high-growth businesses in Wisconsin by improving access to venture capital. In 1999, Commerce certified three CAPCOs – Advantage Capital Wisconsin Partners, I, LP; Banc One Stonehenge Capital Fund Wisconsin, LLC; and Wilshire Investors, LLC, who are responsible for making qualified investments in qualified Wisconsin businesses. Commerce certified \$50 million in tax credits allocated over 10 years to 33 insurance companies as dollar for dollar match of their investment made into the CAPCOs. For a more detailed overview of the CAPCO program, please refer to the Legislative Audit Bureau Report 06-9.

Commerce conducts annual performance reviews of the CAPCOs in accordance with s. 560.38, Wis. Stats.. In recognition of reaching the five-year qualified investment schedule as outlined in s. 560.34 (1m), Commerce undertook a detailed review of the program from inception through December 31, 2004, including surveying all qualified businesses and on site reviews of the CAPCOs' records. Below is a summary highlighting some of the review findings. For more detailed information, attached are the complete reviews of the activities of the three CAPCOs.

CAPCO Activity Summary

As of December 31, 2004, the CAPCOs had made qualified investments of 52% of certified capital, in compliance with s. 560.34 (1m) requiring at least 50% of the certified capital pool to be invested in qualified businesses within five years of initial capitalization. The CAPCOs had paid out over \$14 million in management fees and \$20.5 million in debt payments. Please see Appendix D in the respective individual CAPCO reviews.

CAPCO QUALIFIED INVESTMENTS AND MANAGEMENT FEES/EXPENSES From October 27, 1999 to December 31, 2004		
	CAPCO Activity	% of Certified Capital¹
Advantage Capital WI Partners I, LP:		
Certified Capital Investment - 10/27/99	\$16,666,667	
Qualified Investments into Qualified Businesses	(\$8,394,072)	50.36%
Management Fees/Expenses	(\$3,748,374)	22.49%
Debt/Certified Investor Principal Payments	(\$7,100,000)	42.59%
Banc One Stonehenge Capital Fund WI, LLC:		
Certified Capital Investment - 10/27/99	\$16,666,667	
Qualified Investments into Qualified Businesses	(\$9,270,000)	55.62%
Management Fees/Expenses	(\$4,691,653)	28.15%
Debt/Certified Investor Principal Payments	(\$4,863,070)	29.18%
Wilshire Investors, LLC:		
Certified Capital Investment - 10/27/99	\$16,666,667	
Adjustment/Ins Policy Warrants - 10/27/99	\$ 979,166	
Qualified Investment into Qualified Businesses	(\$8,350,000)	50.10%
Management Fees/Expenses	(\$5,687,925)	34.13%
Debt/Certified Investor Principal Payments	(\$9,439,013)	56.63%
TOTAL:		
Certified Capital Investment	\$50,000,000	
Qualified Investments into Qualified Businesses	(\$26,014,072)	52.03%
Management Fees/Expenses	(\$14,127,952)	28.26%
Debt/Certified Investor Principal Payments	(\$20,422,917)²	40.85%
¹ Percentages shown are greater than 100% of Certified Capital due to qualified business cash flow back to CAPCO via principal and interest, covered expenses, and equity liquidations, as well as exchange of and return on non-qualified investments.		
² Less adjustment for Wilshire Insurance Policy.		

Economic Impact

The CAPCOs made investments in 19 qualified businesses, five of which subsequently went out of business. Three qualified businesses received side-by-side investments from two of the CAPCOs. The following charts show the impact of the CAPCO program related to job creation.

CAPCO	Qualified Businesses	Total Investment	New Jobs		Total Investment per WI Job	Total Tax Credits per WI Job ¹
			WI	Total		
Advantage Capital	7	\$ 8,394,074	176	206		
Banc One Stonehenge	10	\$ 9,270,000	114	132		
Wilshire Investors	5	\$ 8,350,000	57	58		
Less 2 nd investments	(3)		(31)	(32)		
TOTAL	19	\$26,014,075	316	365	\$82,323	\$158,228

¹ Based on \$50,000 in allocated tax credits

DRAFT

JOB IMPACT	
316 WI Jobs Payroll @ 20/hr	\$13,145,600
Payroll Tax	X 6%
Net Benefit/Year	\$ 788,736

For illustrative purposes only. Estimated average wage per job; payroll tax on an unadjusted basis.

CAPCO Activity 2005-2006

No additional investments are statutorily required of the CAPCOs subsequent to the five-year benchmark; however, the CAPCOs are required to continue to report annually to the Department through 2009.

2005 Activity

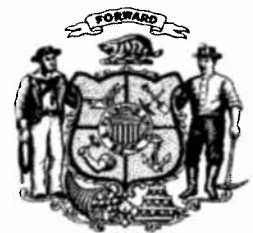
- Advantage Capital Wisconsin Partners I, LP reported follow-on equity investments totaling \$919,548 into two qualified businesses. It also made its first investment of \$100,000 into another business.
- Banc One Stonehenge Capital Fund Wisconsin, LLC reported follow-on equity investments totaling \$117,500 into two qualified businesses. It also made equity investments of \$1.3 million into two new businesses
- Wilshire Investors LLC has reported no new investments since 2003.

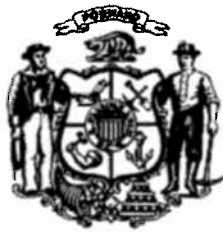
2006 Activity

Annual reports due January 31, 2007.



WISCONSIN STATE LEGISLATURE





Thursday, January 18, 2007

Contacts: Carla Vigue, Office of the Governor, 608-261-2162

Tony Hozeny, Department of Commerce, 608-267-9661

Governor Doyle Announces Wisconsin Makes Economic Honor Roll in National Study for Second Year in Row

One of Only Six States to Earn Honor

Governor Jim Doyle announced today that for the second straight year Wisconsin was selected to the economic honor roll in the annual report card of the states compiled by the Corporation for Enterprise Development (CFED), a national economic development organization. Wisconsin was among only six states to earn this honor in 2007.

"This study confirms what we already know – Wisconsin is a great place to do business," Governor Doyle said. "In the study, Wisconsin earned an A for economic performance, showing that our diverse economy is creating good jobs for hardworking families, and our strategic economic policies are providing the business climate necessary to fuel further economic growth."

In the study, Wisconsin earned an "A" for economic performance, a "B" for business vitality and a "B" for development capacity. The Economic Performance index includes measures such as earnings and job quality, equity, and quality of life. The Business Vitality index measures variables such as entrepreneurial energy and the competitiveness of existing businesses. And the Development Capacity index measures human resources, financial resources, infrastructure, and innovation resources.

"Thanks to the Governor's leadership, his Grow Wisconsin initiative, and our innovative, competitive Wisconsin companies, our state has earned a place among the nation's strongest economies," said Department of Commerce Secretary Mary P. Burke.

Among the states, only Connecticut and Delaware scored "A"s in all three indices. Four other states – Colorado, Massachusetts, Minnesota and Utah – joined Wisconsin in earning all "A"s and "B"s.

The CFED is a private, non-profit economic development organization that has prepared an Economic Development Report Card of the States since 1979.



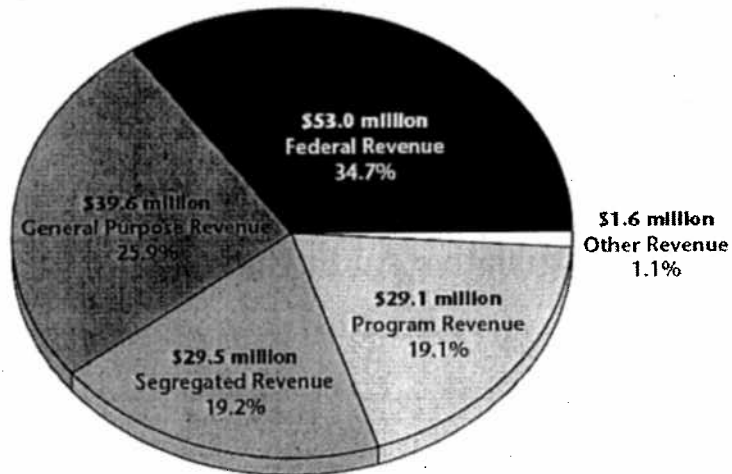
A Review: State Economic Development Programs

Legislative Audit Bureau
April 2007

Scope of Effort

- ◆ We identified 152 economic development programs
- ◆ Eight state agencies are involved in administering these programs
- ◆ The Department of Commerce is the lead agency for economic development

Expenditures



Key Findings

- ◆ Identification of duplicative and outdated programs
- ◆ Every part of Wisconsin was included in at least one type of development zone
- ◆ Agencies report expected, rather than actual program outcomes
- ◆ Individual project results are not consistently verified, compiled, and reported

Recommendations

- ◆ Confirm duplicative and outdated programs
- ◆ Improve tracking and reporting of actual results and long-term success
- ◆ Improve tracking of tax credits claimed
- ◆ Review CAPCO program
- ◆ Identify economic development liaisons and programs at UW and WTCS campuses
- ◆ Report to Committee by February 15, 2007

Items for the Legislature

- ◆ Specify criteria for designation of future development zones
- ◆ Establish clear, measurable goals to improve coordination
- ◆ Reduce the number of programs by consolidating similar programs and eliminating inactive programs
- ◆ Consolidate reporting requirements for state agencies
- ◆ Improve transparency by making information more readily available to the public