



# **JULIE LASSA**

## **STATE SENATOR**

**Testimony on Senate Bill 385**  
Senate Committee on Economic Development  
and Local Government  
January 16, 2014  
10:00 AM  
Room 330 Southwest

Chairman Gudex and committee members, thank you for this opportunity to testify today on Senate Bill 385, which makes important changes to the powers granted to the Board of Directors of the Wisconsin Economic Development Corporation. I would also like to thank Senator Leibham and Representative Williams for their assistance on moving this proposal forward, one which I believe is the most important WEDC reform legislation to be heard in this committee this session.

As early as January 2011, when the legislation creating WEDC was still under consideration by this body, I and several of my Senate colleagues questioned whether having the organization's head be responsible directly to the governor would give the WEDC Board adequate control over the organization. This seemed crucial at the time, because we were creating a new quasi-private corporation and giving it unparalleled flexibility in how it spent tens of millions of taxpayer dollars. WEDC's Board of Directors would become the primary source of oversight for the management of the state's economic development programs, and without having its senior management directly responsible to the board, we were concerned about whether it would be able to play that role effectively.

I have served as a member of the WEDC Board of Directors since July 2011. From the outset, I began to be concerned that the board of directors was not receiving the information it needed to provide adequate oversight. Crucial reports were given to board members only a day or two before we were expected to approve them. Board members often learned of problems with the agency only after reading about them in the papers. We were given a steady stream of upbeat information about the agency's progress, but we now know that management was aware of serious problems that would become known to the board and the general public many months later.

When I had the opportunity to chair this committee during the summer of 2012, I called an Informational Hearing specifically to discuss the board governance of the Wisconsin Economic Development Corporation and how it compared to the governance structures at other quasi-private government agencies, including economic

development corporations in other states. We invited experts from the University of Wisconsin School of Business, the National Council of State Legislatures, and Ohio's economic development agency. A principal recommendation to come from that hearing was that the WEDC Board of Directors be given the power to hire and fire its chief executive officer, just as in any other publicly held company.

The rationale for this is simple. Because a corporate CEO knows that the board can dismiss him or her, he or she has every incentive to keep board members informed about and satisfied with the company's performance. Nasty surprises and consistently poor performance are likely to get them terminated. Therefore, the corporate CEO, and the other managers the CEO hires, are truly accountable to the corporation's board of directors.

Unfortunately, I believe that many of the problems we learned about in the Joint Audit Bureau's program audit of WEDC last spring could have been prevented if the board were more proactively informed about issues at the agency and engaged in solving those problems. Rather than being seen as providing essential oversight, it is clear that the former management at WEDC saw its board as needing to be kept in the dark about the problems it was having. In the wake of the Audit Bureau report, I introduced Senate Bill 214, one of the main provisions of which would give the board the ability to hire and fire the CEO and retain for itself the ability to dismiss any of WEDC's executive staff.

I am glad to report that, with Reed Hall's appointed as WEDC Secretary and CEO and in the wake of the Audit report, there has been a noticeable turn-around at the agency. The Board of Directors is much better informed about internal issues at WEDC, and much more engaged in overseeing and setting policy for the organization. This includes a new committee structure that includes new responsibilities for board members, including approving large awards and overseeing the development of internal operations policy. One of the signals of that new attitude is that Governor Walker and the WEDC Board itself has endorsed the legislative initiative we have before us today.

I know that my legislative colleagues and I have disagreed at times about how the WEDC experiment was initiated and conducted, but there is one thing we all agree on, and that is that WEDC must not fail. Failure at WEDC means that tens of thousands of our fellow Wisconsin citizens are going without jobs, and that entire communities are suffering under the weight of unemployment. I think the most important thing we can do to ensure that success is to make sure that the mechanism we have created to provide proper oversight and sound management at WEDC has the power it needs to get that job done. SB 385 is a strong step in that direction, and I hope you will give it your support.