Wisconsin Economic Development Corporation

(LFB Budget Summary Document: Page 619)

LFB Summary Items for Which Issue Papers Have Been Prepared

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2	Venture Capital Program (Paper #656)
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3	Reestimate WEDC GPR and SEG Appropriation Levels

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16	Tax Credit Modifications

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June, 2021 Joint Committee on Finance Paper #655

Overview of Federal Recovery Funding Supporting Businesses (Wisconsin Economic Development Corporation)

[LFB 2021-23 Budget Summary: Page 619, #1; Page 622, #4 & #6; and Page 623, #8, #9, & #10]

OVERVIEW

This paper provides information on the federal funding to directly assist businesses in the state, and federal funding provided to state, local, and tribal governments in Wisconsin to assist businesses with the economic disruption caused by the COVID-19 pandemic. Also discussed is the economic development funding proposed under Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) for the Wisconsin Economic Development Corporation (WEDC).

The COVID-19 pandemic caused a historic contraction in economic activity across all sectors of the economy in 2020. The pandemic significantly reduced consumer spending in the Spring of 2020, as well as reshuffled consumption patterns, as consumers shunned large gatherings and services provided in person. Factories and employers in several industries temporarily closed, employers laid off or furloughed their employees, and employees shifted to remote work rather than commuting to the office. Due in part to the scale of the fiscal and monetary policy response, and to the relaxation of business closures and social distancing mandates, the economy rebounded significantly over the latter half of 2020 and 2021, but not by enough to fully recover from the declines occurring in the Spring of 2020. The economic fallout resulted in a variety of challenges for small businesses and workers across the state.

In response to the COVID-19 pandemic, Congress provided more than $5.5 trillion nationwide by enacting several stimulus bills, including $2,177 billion under the Coronavirus Aid, Relief, and Economic Support Act (CARES), $7.8 billion under the Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020, $97 billion under the Families First Coronavirus Response Act (FFCRA), $900 billion under the Coronavirus Response and Relief Supplemental Appropriations Act [which was enacted as part of the Consolidated Appropriations

Act of 2021 (CAA)], $484 billion under the Paycheck Protection Program and Health Care Enhancement Act; and $1,900 billion under the American Rescue Plan Act of 2021 (ARPA). Wisconsin enacted 2019 Act 185 to adopt several of the CARES provision for state corporate income/franchise tax purposes, and enacted 2021 Act 1 to adopt several provisions of the CAA (among other law changes).

According to USAspending.gov (which is required by the federal Office of Management and Budget to track federal contracts, grant awards, loans, direct payments, and other federal assistance at the state and local level), recipients located in Wisconsin received $24.1 billion of federal awards through April 30, 2021, by contracts or financial assistance to individuals, organizations, businesses, or state, local, or tribal governments in response to COVID-19. However, the $24.1 billion estimate does not include certain federal funding. Thus, the total amount received by recipients located in Wisconsin under all federal legislation is likely far larger.

DISCUSSION POINTS

Economic Support Funding under CARES

1. CARES included $377 billion for Small Business Administration (SBA) grants and loans, $268 billion for enhanced unemployment benefits, $293 billion for stimulus rebates to individuals, $161 billion for increased limits on losses for corporations and individual taxpayers, $150 billion for state and local governments, $127 billion for the public health and social services emergency fund, $55 billion for employee retention credits for affected employers, and $292 billion for other agencies, as well as discretionary and mandatory spending. CARES also provided for certain loans and loan guarantees of more than $454 billion. Notable provisions that provided support for businesses include the following.

2. *Paycheck Protection Program (PPP).* The PPP provided forgivable loans to certain businesses, and non-profits, having less than 500 employees. The first round of PPP loans were available under the SBA's Section 7(a) loan program through August 8, 2020, and could be used to cover various business expenses, including payroll and rent payments. As long as certain loan conditions were met, PPP loan recipients could qualify for loan forgiveness. Both state and federal law provide that forgiven PPP loan amounts are not considered taxable income for income and franchise tax purposes, and that expenses otherwise deductible cannot be denied on the basis that they were paid via PPP loan proceeds. According to the SBA, Wisconsin businesses received almost $9.9 billion in Round 1 PPP loans.

3. *Economic Injury Disaster Loan (EIDL) Advances.* CARES made the preexisting EIDL program, administered by the SBA, available to certain qualifying small businesses having 500 or fewer employees. The EIDL loans were intended to meet financial obligations and expenses of businesses resulting from the economic impacts of the COVID-19 pandemic through December 31, 2020. Prior to (and after) CARES, EIDL loans are generally available at 3.75% interest for businesses (2.75% for nonprofits) over 30 years. CARES provided for forgivable advances (not required to be repaid) for businesses experiencing economic hardship in the amount of $1,000 per employee, up to a maximum of $10,000.

4. *Coronavirus Relief Fund (CRF).* CARES created the CRF to assist individuals, families, businesses, and communities respond to, and recover from, the COVID-19 pandemic. Approximately $2.0 billion in federal funding was provided from the CRF to the State of Wisconsin.

5. *Direct Receipt of CRF Monies by Local Units of Government.* Under CARES, local units of government were eligible to receive money directly from the CRF if their population exceeded 500,000. Wisconsin had three local governments that meet this criterion: Dane County, Milwaukee County, and the City of Milwaukee. Based on their populations, Dane County received approximately $95 million, Milwaukee County received approximately $62 million, and the City of Milwaukee received approximately $103 million. The chief executive of each unit of government receiving a payment has the authority to decide how to spend the CRF money, provided it is used in accordance with the CARES requirements. For example, Dane County announced a series of initiatives that utilized funding from its CRF payment, including: (a) $700,000 in funding for public health; (b) $3 million in payments to food pantries for purchasing food from local farmers; (c) $3.5 million in grants to childcare providers; (d) $10.8 million in grants to support local small businesses; and (e) $10 million to assist renters facing possible eviction.

6. *Economic Support Programs Funded under State CRF monies.* Provisions of 2021 Act 1 exempted monies received from certain economic support programs funded through the CRF, including the following: (a) broadband expansion; (b) privately owned movie theater grants; (c) nonprofit grant programs; (d) a tourism grants program; (e) a cultural organization grant program; (f) music and performance venue grants; (g) lodging industry grants; (h) low-income home energy assistance; (i) a rental assistance program; (j) supplemental child care grants; (k) a farm support program; (l) grants to small businesses; (m) ethanol industry assistance; and (n) Wisconsin Eye. Further, Act 1 specified that the general rule prohibiting deductions for expenses paid with wholly exempt income under the corporate income/franchise tax would not include exempt income under this provision. Information for each of these programs is described below.

7. *Broadband Expansion*. On October 8, 2020, the Public Service Commission (PSC) awarded $5,378,500 to 12 projects to increase broadband internet access in underserved areas of the state and to support telehealth, distance learning, and telecommuting needs during the coronavirus public health emergency.

8. *Privately Owned Movie Theater Grants.* On October 27, 2020, a total of $10 million was awarded to support 54 privately owned movie theaters for expenses incurred, or revenues lost, in Wisconsin between March 1, 2020, and December 30, 2020, due to the COVID-19 pandemic. The awards were based on the total of 684 screens that all applicants operated, such that each awardee received $14,620 per screen.

9. *Tourism Grants Program*. A total of $12 million was allocated to support local tourism organizations that have been negatively impacted by COVID-19. These grants, called Tourism Relief to Accelerate Vitality and Economic Lift grants, were distributed to Wisconsin's tourism promotion and tourism development organizations, such as convention and visitors bureaus, to support these organizations in resuming business operations and restoring economic activity lost during the COVID-19 public health emergency. Grants could not exceed $500,000 per award or 25% of the applicant's average tourism marketing and development budget over the three previous fiscal years,

whichever was less.

10. *Cultural Organization Grant Program.* A total of $15 million was allocated to support nonprofit cultural organizations whose operations have been negatively affected by COVID-19. Grants could not exceed $250,000 per award or 25% of the applicant's average operating revenues over the three previous fiscal years, whichever was less. Grants supported expenditures made, or revenues lost, between March 1, 2020, and December 30, 2020, including: (a) employee compensation; (b) protective equipment for staff; (c) cleaning and sanitizing expenses; and (d) equipment to facilitate employee telework.

11. *Music and Performance Venue Grants.* DOA awarded a total of $17.3 million to support music and performance venues in Wisconsin whose facilities were negatively impacted by the COVID-19 pandemic. To be eligible, venue operators must have generated 33% or more of their income through direct ticket sales or event charges for the production or presentation of live music, other entertainment, or large conventions and meetings. Award amounts were up to the lesser of $500,000 or 25% of 2019 ticket or event sales. Applications for grants were evaluated by financial need, whether live entertainment or large convention and business meetings were a central component of their business, and the area and customers served.

12. *Lodging Industry Grants.* DOA awarded a total of $20.4 million to support lodging operators with a hotel, motel, or bed and breakfast establishment in Wisconsin in operation since September 1, 2019. Grants could be used to cover expenses or revenues lost in Wisconsin, or in direct support of lodging property in Wisconsin, as a result of the COVID-19 pandemic, between March 1, 2020, and December 30, 2020. Award amounts were based on the number of eligible rooms in Wisconsin owned and operated by the applicants and the qualifying expenditures and/or revenue lost.

13. *Low-Income Home Energy Assistance*. A total of $26 million was awarded to the Home Energy Plus program, which also received increased funding directly from CARES. The program, funded by the federal Low-Income Home Energy Assistance Program, helps low-income households with energy and heating bills, crisis prevention, and weatherization. An additional $1 million was allocated for the non-profit organization Keep Wisconsin Warm/Cool Fund. To be eligible for the program, a household must have an income no greater than 60% of the statewide median income. In 2019-20, the guideline was equivalent to $55,151 annually for a household of four. A household must generally meet the income requirement during the three months prior to application; however, in an emergency, eligibility may be based on the previous month of income. In response to the COVID-19 pandemic, 2019 Act 185 extended the application period for energy assistance to any time during 2020, rather than between October 1 and May 15.

14. *Rental Assistance Program*. Under the $35 million rental assistance program, residents with household income at or below 80% of their county's median income could apply for direct financial assistance with rent or security deposit payments. Eligible residents could receive up to $3,000 in total, paid directly to landlords on their behalf. DOA partnered with 16 organizations across the state to process applications and provide assistance. As of October 12, 2020, preliminary records indicate that $23.9 million has been distributed to 10,274 households in Wisconsin. On October 5, 2020, an additional $10 million was allocated for this program, to increase the total allocation from $25 million to $35 million through June 8, 2021.

15. *Supplemental Child Care Grants*. In addition to supplemental Child Care and Development Funds received under CARES, the Department of Children and Families also used $79.7 million from the CRF to provide two rounds of supplementary "Child Care Counts" grant programs. The first program, supported with $46.5 million in CRF monies, supported the costs of child care providers maintaining or enhancing compliance status, YoungStar rating, and improving health and safety practices. The second program, supported with $33.2 million of CRF monies, supported the staff recruitment and retention efforts (such as incentive pay or signing bonuses).

16. *Agricultural Supports*. A total of $75 million of CRF funds was provided to support the agricultural sector, consisting of $50 million for the Wisconsin Farm Support Program and $25 million for the Food Security Initiative. The Wisconsin Farm Support Program, administered by the Department of Revenue (DOR), provided direct payments to approximately 15,200 farmers totaling $50 million in two phases. In phase one, farmers with 2019 gross incomes of $35,000 to $5,000,000 were eligible for payments, which totaled $41.6 million. The second phase allocated remaining funding of $8.4 million to farmers with 2019 gross incomes of $10,000 to $5,000,000 who had not previously received a payment. Under the Food Security Initiative, the Department of Agriculture, Trade and Consumer Protection awarded $5 million in Network Support Grants and $10 million in Wisconsin Products grants to food banks, food pantries, and other nonprofit organizations. Network Support grants support implementation of social distancing and public health guidance at recipient organizations, such as curbside pick-up or delivery services, additional food processing and packaging, increased cleaning, and other operating costs related to COVID-19. Wisconsin Products grants support the purchase and distribution of Wisconsin agricultural products by recipient organizations to address food insecurity, reduce food waste, and strengthen farm-to-table connections. Grant awards were announced on August 27, and supported activities through mid-November, 2020. On October 5, 2020, an additional $10 million was allocated to the Food Security Initiative.

17. *Grants to Small Businesses.* CRF funding of $288.5 million supported the following small business grant programs.

<u>"We're All In" Small Business Grants - Phase 1.</u> The "We’re All In" Small Business Grant program - Phase 1 provided grants of $2,500 to Wisconsin small businesses. Grant funds could be used for any operating costs, including, but not limited to, wages and salaries, rent, mortgages and inventory, and for health and safety improvements. Grant recipients were required to pledge to observe certain health safety best practices in their facilities intended to protect employees, customers, and the communities in which they operate. WEDC distributed approximately $65.3 million to 26,122 businesses in Wisconsin.

<u>"We're All In" Small Business Grant Program - Phase 2.</u> Phase 2 was designed using input from WEDC and was administered by DOR. The program provided $5,000 grants to up to 24,000 Wisconsin small businesses. Grants could be used for the same purposes, and grant recipients must follow the same guidelines, as in Phase 1 of the program (described above). Through April, DOR distributed $180.1 million from the CRF.

<u>"We're All In" Small Business Grants for Restaurants - Phase 3.</u> A separate program administered by DOR provided grants of up to $20,000 to more than 2,000 Wisconsin small businesses. Unlike previous phases of the "We're All In" grant program, businesses did not have to

apply for the grants. Instead, DOR identified and contacted businesses through the Department's business tax records. According to DOR, pre-qualified applicants were contacted on December 11, 2020, to confirm their eligibility, and were required to respond by December 18, 2020. All grants were issued no later than December 30, 2020, in a total amount of $40.1 million from the CRF.

Innovation Contest. The "We're All Innovating" contest was a grant program administered by WEDC, in conjunction with the Wisconsin Technology Council, to support innovative startup and established small companies to introduce innovations responding to the impacts of the COVID-19 pandemic, including new business models and best practices for operations that would otherwise remain dormant. Grants were available to businesses having 50 or fewer employees, with the CRF providing funding of $3.0 million for the program.

18. *Ethanol Assistance*. CRF funding of $3.3 million was provided to support ethanol plants in Wisconsin for expenses incurred, or revenue lost, as a result of the COVID-19 pandemic.

19. *Wisconsin Eye.* CRF funding of $100,000 was awarded to Wisconsin Eye, a 501(c)(3) organization that broadcasts proceedings at the Wisconsin State Capitol to the public. The grant was intended to help with revenue shortfalls incurred as a result of the COVID-19 pandemic, which was deemed necessary due to Wisconsin Eye's role in enabling the public to observe legislative proceedings while maintaining social distancing.

Economic Support under the Paycheck Protection Program and Health Care Enhancement Act

20. The Paycheck Protection Program and Health Care enhancement Act provided $484 million to: (a) restart the first round of PPP loans and provide additional funding for the EIDL advances program (both of which had exhausted the funding provided under CARES); (b) to reimburse health care providers for expenses and lost revenue attributable to COVID-19; and (c) to develop and administer COVID-19 testing. As noted, Wisconsin businesses received almost $9.9 billion in Round 1 PPP loans.

Economic Support Funding under the CAA

21. The CAA provided for additional stimulus of approximately $900 billion. This includes: (a) $325 billion for small business relief, including $284 billion for a second round of forgivable PPP loans; (b) $166 billion of stimulus rebates for persons with adjusted gross income below $75,000 ($150,000 for married couples); (c) $120 billion for the extension of unemployment compensation programs through March 14, 2021; and (d) $125 billion to states for education, transportation, and COVID-19 mitigation. The remaining amounts support a number of federal programs, including community development lending programs, vaccine distribution and procurement, rental assistance, enhanced supplemental nutrition assistance program benefits, additional childcare funding, and additional funding for broadband, as well as a number of tax law changes included in the CAA. Notable provisions that provided direct financial support to businesses include the following.

22. *PPP Loans.* The CAA provided for a second round of PPP loans to businesses having 300 or fewer employees, with certain expansions in eligibility and qualifying expenses compared to

the previous round. According to the SBA, through May 31, 2021, Wisconsin businesses received almost $4.4 billion in second round PPP loans. The CAA clarified that forgivable PPP loans are not taxable and recipients may claim deductions on any business expenses paid using PPP loans proceeds. Pursuant to 2021 Act 1, state law conforms to federal tax treatment of PPP loan proceeds.

23. *EIDL Advances.* The CAA provided additional funding and extended the availability of EIDL advances to certain qualifying small businesses having 300 or fewer employees through December 31, 2021. The CAA clarified that forgivable EIDL advances are not taxable and recipients may claim deductions on any business expenses paid using EIDL advance proceeds. Pursuant to 2021 Act 1, state law conforms to federal tax treatment of EIDL advance proceeds.

24. *Payment Assistance for Certain Loan Payments.* CARES required the SBA to make payments of interest, principal, and fees owed by borrowers for certain preexisting loans (including Section 7(a), Section 504, and Microloan programs) for a six-month period. The amounts paid by the SBA are forgiven and borrowers are not required to repay the SBA. The CAA specifies that these federal subsidies are not included in income for federal tax purposes and that deductions are allowed for expenses paid with those proceeds. Pursuant to 2021 Act 1, state law conforms to this federal tax treatment.

25. *Grants to Shuttered Venue Operators.* The CAA provides a new grant program for live venue operators, talent representatives, movie theaters, and museums that were fully operational on February 29, 2020, and experienced a revenue reduction of at least 25% in one quarter of 2020 compared to 2019. The CAA specifies that the grants are not taxable and that deductions are allowed for expenses paid with those proceeds. Pursuant to 2021 Act 1, state law conforms to this federal tax treatment.

26. *CRF Extension*. The CAA also extended the deadline for the use of CRF monies by one year, from December 30, 2020, to December 31, 2021.

Economic Support Funding under ARPA

27. ARPA provided for additional federal spending of $1,900 billion. This includes: (a) $410.6 billion for stimulus rebates to individuals; (b) $350 billion of aid to state and local governments; (c) $287 billion of support for education; (d) $194 billion in expanded tax credits and healthcare subsidies; (e) $125 billion for COVID-19 mitigation; (f) $109.5 billion for expansion of the child tax credit; (g) $96 billion for transportation and infrastructure; and (h) $33 billion for agriculture and entertainment venues. The remaining funding supports various other programs. For example, an additional $580 million was allocated to Wisconsin to support child care programs.

28. Notably, ARPA provided funding to extending the enhanced UI benefits through September 6, 2021, extended pandemic emergency unemployment compensation from 23 weeks to 54 weeks, and created a $10,200 tax exclusion for tax year 2020 for unemployment compensation for those having incomes less than $150,000. ARPA also provided funding to extend the following programs: (a) $7.25 billion for PPP loans; (b) $15.0 billion for EIDL advances; and (c) $1.25 billion for shuttered venue operator grants. Other programs include the following.

29. *Restaurant Revitalization Grants.* ARPA provides $28.6 billion in federal fiscal year 2021 for a new restaurant revitalization grant program, including $5 billion for eligible entities with gross receipts during 2019 of no more than $500,000. Grants are equal to the pandemic-related revenue loss of an eligible entity, up to $10 million per eligible entity, with no more than $5 million for each physical location. Any grant amounts that exceed the actual gross receipts of an eligible entity in 2020 must be returned. Both federal and state law provide that restaurant revitalization grant proceeds are excluded from gross income for income tax purposes and that otherwise deductible expenses paid directly or indirectly with such grants would be deductible.

30. *Local Fiscal Recovery Fund (LFRF).* ARPA created the LFRF to provide every local government in Wisconsin with direct payments. Local governments have through December, 2024, to expend these funds. Overall funding of $2,316.4 million was provided to towns ($160.2 million), villages ($97.6 million), cities ($929.4 million), and counties ($1,129.2 million). In general, LFRF monies may be used to respond to the coronavirus pandemic or its negative economic impacts, to make investments in certain broadband, sewer, or water (including storm water) infrastructure, or to provide premium pay for essential workers. Pursuant to guidance from the Department of the Treasury, this includes support for small business and impacted industries.

31. *State Fiscal Recovery Fund (SFRF).* Subsequent to the introduction of AB 68/SB 111, ARPA allocated a total of $219.8 billion to the SFRF, to be divided among states, territories, and tribal governments. SFRF payments may be used to cover costs incurred prior to December 31, 2024, including, but not limited to, responding to the coronavirus pandemic or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality. It is estimated that Wisconsin will receive $2.5 billion in directs payments from the SFRF.

According to DOR, up to $420.0 million of funding received under the SFRF will be provided to support the Wisconsin Tomorrow Small Business Recovery grant program. The new grant program will support up to 84,000 Wisconsin small businesses having gross annual revenue between $10,000 and $7,000,000, including those that started in 2020, with $5,000 awards. To qualify, at least 75% of the business's value of real and tangible personal property owned or rented and used by the business must be located in Wisconsin. Further, at least 75% of the amount of the business's labor costs must be incurred by individuals performing services for the business in Wisconsin. DOR indicates that the application process opened May 24, 2021, and closed on Monday, June 7, 2021.

The administration also indicates that it plans to utilize additional ARPA funding for assistance to small business, such as $100 million to expand access to high-speed broadband internet statewide. However, such plans have not been finalized as of this writing.

WEDC Economic Development Programs Recommended under AB 68/SB 111

32. AB 68/SB 111 would provide $238 million in state funding to assist Wisconsin small businesses in recovering from the COVID-19 pandemic. These amounts were recommended above WEDC's base funding for its operations and economic development programs. According to the Governor's Budget in Brief, when combined with efforts by the federal government, the recovery package would help save thousands of jobs and small businesses in all parts of Wisconsin.

33. First, AB 68/SB 111 would create a biennial appropriation and provide $200,000,000 GPR in 2021-22 to assist small businesses in recovery from the economic impacts of the COVID-19 pandemic (Alternative 1). WEDC would be required to aid in the state's economic recovery by providing financial assistance to small businesses adversely affected by the pandemic, including for the retention of current employees and the rehiring of former employees. WEDC would be required to coordinate with DOR, to the extent necessary, to administrate the program.

34. AB 68/SB 111 would also provide $8,000,000 GPR to WEDC to expend up to that amount in 2021-22 to fund organizations focused on local or regional economic development for the purpose of assisting businesses and nonprofit organizations in their recovery from the economic impacts of the COVID-19 global pandemic (Alternative 2). According to the Governor's Budget in Brief, funding would be provided to local and regional economic development organization is to help ensure that Wisconsin's recovery from the devastation of the pandemic is equitable across Wisconsin's regions, communities, and economic sectors.

35. Further, AB 68/SB 111 would provide $5,000,000 GPR in 2021-22 to provide grants, loans, and other assistance to underserved communities, including members of minority groups, women-owned businesses, and individuals and businesses in rural areas (Alternative 3). According to the Governor's Budget in Brief, underserved communities were especially hard hit by the pandemic and need additional dedicated assistance on the road to recovery. The Committee could consider whether to provide such funding on a one-time basis (Alternative 3a) or on an ongoing basis (Alternative 3b.)

36. AB 68/SB 111 would increase expenditure authority to WEDC by $10,000,000 GPR in each year of the 2021-23 biennium (Alternative 4). According to the Governor's Budget in Brief, the increase is generally to provide additional resources to WEDC across its range of programs to assist businesses, communities, and organizations.

37. Also, AB 68/SB 111 would create a sum certain program revenue appropriation and provide $390,000 PR annually from tribal gaming revenues for WEDC to establish, administer, and promote small business economic development programs benefiting American Indian tribes or bands in this state (Alternative 5).

38. AB 68/SB 111 would also require WEDC, during each year of the 2021-23 biennium, to award up to $200,000 in grants to prospective cooperatives that would conduct feasibility studies (Alternative 6). WEDC would have to utilize funding from its existing resources for this study. WEDC would be required to consult with the Cooperative Network, which is a trade association for cooperatives in Minnesota and Wisconsin that provides educational resources, regulatory advocacy, and public awareness campaigns to assist cooperative businesses, when making awards. According to the Governor's Budget in Brief, feasibility study costs are one of the most frequently cited impediments to the formation of cooperatives.

39. As noted, subsequent to the introduction of AB 68/SB 111, ARPA provided for $2.5 billion under the SFRF, of which the administration has announced that $420 million will be used to provide grants to small businesses to help them recover from the adverse economic impacts of the pandemic. The Governor recommended providing additional state funding of $238 million under AB

68/SB 111. Thus, federal funding has already been announced for programs similar in scope to, and in amounts exceeding, what was initially proposed under AB 68/SB 111. The Committee could decide that it is unnecessary to provide additional state funding for WEDC economic development programs at this time (Alternative 7).

40. The alternatives listed below identify each of the six proposals of AB 68/SB 111, which would provide state funding to small businesses in the state. The Committee could choose to fund any of the six items, provide different funding levels for any of them, or take no action.

ALTERNATIVES

1. Create a biennial appropriation and provide $200,000,000 GPR in 2021-22 to assist small businesses in recovery from the COVID-19 pandemic. Require WEDC to aid in the state's economic recovery by providing financial assistance to small businesses adversely affected by the pandemic, including for the retention of current employees and the rehiring of former employees. Require WEDC to coordinate with DOR, to the extent necessary, to administrate the program.

ALT 1	**Change to Base**
GPR	$200,000,000

2. Increase WEDC's GPR operations and programs sum sufficient appropriation by $8,000,000 in 2021-22, and require WEDC to expend up to that amount in 2021-22, to fund organizations focused on local or regional economic development for the purpose of assisting businesses and nonprofit organizations in their recovery from the COVID-19 global pandemic. Further, specify that the limits on expenditures from WEDC's GPR operations and programs sum sufficient appropriation do not apply to this funding.

ALT 2	**Change to Base**
GPR	$8,000,000

3. Increase WEDC's GPR sum sufficient operations and programs appropriation to provide grants, loans, and other assistance to underserved communities, including members of minority groups, women-owned businesses, and individuals and businesses in rural areas, by one of the following: (a) $5,000,000 GPR in 2021-22; or (b) $5,000,000 GPR annually. The statutory limit on WEDC's GPR sum sufficient appropriation, and the calculation for determining WEDC's GPR appropriation, would increase to reflect this additional funding level.

ALT 3	**Change to Base** GPR
a.	$5,000,000
b.	$10,000,000

4. Increase the expenditure authority under WEDC's GPR sum sufficient programs and operations appropriation by $10,000,000 annually. The statutory limit on WEDC's GPR sum sufficient appropriation, and the calculation for determining WEDC's GPR appropriation, would increase to reflect this additional funding level.

ALT 4	**Change to Base**
GPR	$20,000,000

5. Create a sum certain program revenue appropriation and provide $390,000 PR annually from tribal gaming revenues for WEDC to establish, administer, and promote small business economic development programs benefiting American Indian tribes or bands in this state. Any unencumbered balance in this appropriation would, on June 30 of each year, revert to the Indian gaming receipts appropriation that would be created under the Department of Administration.

ALT 3	**Change to Base**
PR	$780,000

6. Require WEDC to award up to $200,000 during each year of the 2021-23 biennium to award grants for cooperative feasibility studies from its state appropriations for operations and programs. Require WEDC to consult with the Cooperative Network when making awards.

7. Take no action.

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June, 2021 | Joint Committee on Finance | Paper #656

Venture Capital Fund of Funds Program (Wisconsin Economic Development Corporation)

[LFB 2021-23 Budget Summary: Page 619, #2]

CURRENT LAW

The Wisconsin Economic Development Corporation (WEDC) is a public-private entity created under state law as the state's lead agency in promoting economic development. WEDC offers a number of tax credits, loans, grants, and technical assistance programs to eligible Wisconsin companies. According to WEDC's annual report on economic development, in 2019-20 WEDC entered into contracts to award: (a) $45.8 million of tax credits; (b) $2.2 million of loans; (c) $27.5 million of grants; and (d) $170.2 million of federally tax exempt industrial revenue bonds. In addition, WEDC certified businesses to participate in the angel and early stage seed tax credit programs so that equity investors can receive up to $25.1 million for their investments in such businesses.

Badger Fund of Funds Investment Program

The Badger Fund of Funds investment program was established within the Department of Administration (DOA) under 2013 Act 41. Under Act 41, the state was required to commit $25 million GPR of capital to invest in venture capital funds. The venture capital funds would then make direct investments in businesses. Prior to enactment of Act 41, funding to support the fund of funds was placed in the Joint Committee on Finance's supplemental appropriation by 2013 Act 20 (the 2013-15 biennial budget) for potential release pending enactment of subsequent authorizing legislation. On May 6, 2014, the Committee authorized the release of the supplemental funding.

Under Act 41, venture capital funds that receive moneys from the state must make investments in eligible businesses that are: (a) headquartered in this state; (b) employ at least 50%

of their full-time employees in this state; and (c) invest at least half of those moneys in businesses that employ fewer than 150 full-time employees. Eligible businesses must be in the agriculture, information technology, engineered products, advanced manufacturing, medical devices, or medical imaging industries. The venture capital fund must attempt to ensure that businesses represent diverse geographic regions of the state.

The state contracted with an investment manager in June, 2015, to invest the amounts contributed to the Badger Fund of Funds, including the state's one-time contribution of $25.0 million. The state's contribution is held in escrow and is released as capital draws are requested.

DOA's Capital Finance Office publishes quarterly and annual reports on the Badger Fund of Funds. These reports detail the total fund size, the amount of the Badger Fund of Funds commitment, the amount of each commitment funded to date, and the amount invested to date. The reports also detail other activities conducted by portfolio fund managers. The most recent report was published on May 26, 2021, and is attached to this paper.

As shown in the attachment, through March 31, 2021, the total fund size of the Badger Fund of Funds was $60.7 million. Approximately $27.1 million of the funds have been committed by the Badger Fund of Funds (41% of fund size) to five investment funds. Of the funds committed, the investment funds have drawn state funding of $8.1 million (30% of committed funds). Together with private investment, a total of $19.6 million has been invested to support 23 active companies employing 181 workers.

According to DOA's quarterly report, after accounting for the total capital raised by the companies along with funding invested by the Badger Fund of Funds, in aggregate, for every $1 of state monies invested by the Badger Fund of Funds, an additional $3.4 from other investors has been invested in Wisconsin-based companies.

Business Investment Credits - Qualified New Business Ventures

WEDC's qualified new business venture (QNBV) program offers incentives for investment in early-stage Wisconsin businesses with the potential for significant economic impact and job growth. The program includes the angel investment tax credit and the early stage seed investment tax credit. The angel investment tax credit equals 25% of the claimant's bona fide angel investment made directly in a QNBV certified by WEDC. The early stage seed investment tax credit is equal to 25% of the claimant's investment paid in the tax year to a certified fund manager that the fund manager invests in a QNBV certified by WEDC. WEDC can verify investments as eligible to claim up to $30 million of angel and early stage seed credits per calendar year.

Investments in a QNBV must be maintained in the business by an angel investor, angel investment network, or certified fund manager for at least three years. The aggregate amount of investment in any one QNBV that may qualify for angel investment or early stage seed investment tax credits is $12.0 million. However, there is no limit on the amount of credits investors can claim. A person who makes an investment in a certified fund and who is eligible to claim an early stage seed investment tax credit may sell or otherwise transfer the credit, no more than once in a 12-month period, to another person to offset that person's income, franchise, or insurance premiums tax liability.

To be certified as a QNBV, eligible companies must meet several criteria, including: (a) being headquartered in Wisconsin; (b) having at least 51% of employees based in Wisconsin; (c) having fewer than 100 employees; (d) being in operation for no more than ten consecutive years; (e) offering significant potential for increasing jobs or increasing capital investment in Wisconsin; and (f) having not received aggregate private equity or venture capital investment of more than $10 million. A company does not lose its certification if it later hires more than 100 employees. A QNBV must agree that it will not relocate outside the state during the three years after it receives an investment eligible to receive angel or early stage seed investment credits.

As indicated in the attachment, all but one of the companies that receive investment from the Badger Fund of Funds are certified as QNBVs, and private investors are eligible for early stage seed and angel investment tax credits for the private-funded portion of the investment, offsetting 25% of the investor's initial investment in the QNBV. WEDC policies and procedures specify that the public portion of investments made through the Badger Fund of Funds may not be used as the basis for claiming credits.

DISCUSSION POINTS

Policy Considerations

1. Seed funding and early stage funding are meant to assist new businesses with insignificant growth or profits in their startup phase by financing their proof-of-concept business development and first steps into market research and product development. Start-ups use the funding to investigate the marketability of the concept of their business by determining what exactly their product will be and who they are selling to.

2. As discussed above, DOA's Badger Fund of Funds program assists such companies to obtain funding. As shown in the attachment, the Badger Fund of Funds has invested with two seed stage funds, which in turn have invested $12.6 million through March, 2021, as well as one growth stage fund, which has invested $7.0 million. Also, WEDC administers the QNBV program to assist companies at these stages. According to WEDC, in 2019, investors provided $58.4 million to 72 QNBVs, qualifying them to claim up to $6.1 million under the early stage seed tax credit and $8.5 million under the angel investment tax credit.

3. In contrast to seed and early stage funding, in which businesses have a higher risk for success at this stage, a key goal of late stage venture capital is to invest for equity ownership in small businesses that have advanced to the next stage of their development and have the potential to grow substantially.

4. Generally, the source of venture capital ultimately comes from investors, whether those investors are wealthy individuals, endowments, or large institutions, such as pension funds, insurance companies, and corporations. This funding may be directly invested in venture capital funds, or indirectly by way of intermediary, such as a fund of funds or an investment advisor. Typically, a

venture capital fund invests in stages by providing for first round of initial funding and then for future rounds, depending on how successfully the business develops.

5. Public programs may seek to spur capital investment by providing public funding or by subsidizing private investment into local startups. An important premise supporting public investment in venture capital programs is that new firms and other startup ventures represent a key part of job creation. For example, the Congressional Research Service indicates that opening/startup establishments accounted for just under 30% of all employment gains in the United States from 2010 to 2019. For comparison, according to the U.S. Census Bureau's Statistics of U.S. Businesses, in 2017 there were 15,170 firms (representing 25,270 establishments at a single physical location) in the 20 to 499 employee size category that employed 869,367 workers (34% of enterprise employment) in Wisconsin.

6. Economic research indicates that business size and age are important factors for job growth in the economy. Small businesses have been found to be the largest source of job creation in the economy. However, small businesses also have high rates of job destruction, compared to larger firms, because they are more likely to go out of business. In particular, new startup firms, which by their very nature tend to be small, are more volatile and, therefore, more likely to fail after creating jobs, as compared to more established firms. For this reason, some researchers have found that, as a group, startups with fewer than 20 employees tend to have a negligible impact on job growth over the long term. While new and small firms are an important source of job creation, their net impact on job growth is smaller compared to the growth contributed by larger, more mature firms. For comparison, researchers have found that young firms that employ 20 to 499 employees tend to positively impact job creation after their first year of operation, with their impact increasing through their fifth year as they grow and take on more employees. This may be because young firms that demonstrate the capacity to endure and grow to the point that they hire more than 20 workers are less likely to fail and terminate the jobs they create.

7. Because the expansion of small firms accounts for an outsized amount of employment gains, venture capital funding can be viewed as a leading indicator for economic growth and job creation. Further, because early stage investment is so risky, investors may be less inclined to participate in such offerings if there is no clear avenue for startup firms to later obtain additional funding from other sources to expand. Broader availability of venture capital, such as through a state fund of funds program, provides an incentive for private investors to further invest in startup firms.

8. Based on the size of its economy and population, Wisconsin garners less investment compared to other states. According to the Wisconsin Technology Council, out of the 50 states, in 2020, Wisconsin ranked 19th in annual net business formations, but only 34th in foreign direct investment and 29th in annual venture capital investment. According to the National Science Board, in 2019 there was \$761 of venture capital disbursed per \$1 million of GDP in Wisconsin, which ranks 38th out of the 50 U.S. States and the District of Columbia. Comparing the number of companies having employment in science, engineering, and technology to the number of venture capital deals for such companies, Wisconsin ranked 22nd in 2016.

9. According to the Wisconsin Technology Council, \$454 million was invested in Wisconsin companies in 2019 across 123 early stage venture capital deals. Nearly half of that

investment was made into two companies in Rock County in the health care industry, specifically in the medical diagnostic and therapeutic isotopes fields.

Venture Capital Fund

10. Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would create a continuing appropriation with $100,000,000 GPR in 2021-22 and would require WEDC to establish and administer a fund of funds program to invest in venture capital funds that invest in businesses located in Wisconsin. Moneys appropriated could be used to pay management fees and the amounts necessary to make capital investments through the program. WEDC would have to create the fund of funds, provide that the fund continuously reinvest its assets, and create an oversight board to conduct any activity required by law or directed by WEDC. WEDC would be required to establish policies and procedures to administer the program.

In addition, AB 68/SB 111 would require the oversight board to establish investment policies, which would be subject to the following conditions: (a) all moneys paid to the investment manager to make investments would have to be committed for investment to venture capital funds no later than 60 months after the creation of the fund of funds; (b) no more than $25 million of the total paid to the investment manager to make investments could be invested in any single venture capital fund; and (c) at least 20% of the investments made through the program would have to be directed to businesses that are: (1) located in parts of this state that typically do not receive significant investment from venture capital funds; (2) at least 51% owned by one or more members of a racial minority group and the management and daily business operations of which are controlled by one or more members of a racial minority group; or (3) at least 51% owned by one or more women and the management and daily business operations of which are controlled by one or more women. Specify that no investment could be made through the program in a lobbying or law firm.

Further, AB 68/SB 111 would require the oversight board to contract with an investment manager who meets the qualifications established by WEDC. The contract would be required to establish the investment manager's compensation, including any management fee (which could not annually exceed 1% of the total assets under management in the program). The investment manager would have to request funding from WEDC in order to make investments through the fund of funds and to pay the investment manager's management fee. WEDC would have to, subject to approval of the Secretary of DOA, pay monies to the investment manager from the continuing venture capital fund of funds program appropriation.

The investment manager would be required to contract with each venture capital fund that would receive funding through the program. Each contract would have to require the venture capital fund to: (a) make new investments in an amount equal to the amount of moneys it receives through the program in one or more businesses who are headquartered in Wisconsin and whose operations are primarily in this state; (b) match, at least, any funding it receives through the program and that it invests in a business described in "(a)" with funding the venture capital fund has raised from sources other than the program; and (c) provide the investment manager with the information necessary to complete the reports described below. Further, the investment manager would have to ensure that, on average, for every $1 a venture capital fund receives through the program and invests in such businesses, the venture capital fund invests $2 in that business from sources other than the program.

The investment manager would have to annually submit to WEDC a report for the fiscal year, no later than 120 days after the end of the fiscal year, including the following:

a. An audit of the investment manager's financial statements performed by an independent certified public accountant.

b. The investment manager's internal rate of return from investments made through the program.

c. For each venture capital fund that contracts with the investment manager, the name and address of the venture capital fund, the amount invested in the venture capital fund through the program, an accounting of any fee the venture capital fund paid to itself or any principal or manager of the venture capital fund, and the venture capital fund's average internal rate of return on its investments of the moneys it received through the program.

d. For each business in which a venture capital fund held an investment of moneys received through the program, include: (1) the name and address of the business; (2) a description of the nature of the business; (3) the identification of the venture capital fund; (4) the amount of the investment and the amount invested by the venture capital fund from funding sources other than the program; (5) the internal rate of return realized by the venture capital fund upon the venture capital fund's exit from the investment in the business; and (6) a statement of the number of employees the business employed when the venture capital fund first invested moneys received through the program and the number of employees the business employed on the first day and last day of the investment manager's fiscal year.

WEDC would have to submit the investment manager's report, no later than 10 days after receipt of it, to the Chief Clerk of each house of the Legislature, for distribution to the Legislature.

The investment manager would also be required to submit quarterly reports to the oversight board, including: (a) an identification of each venture capital fund under contract with the investment manager; (b) an identification of each business in which a venture capital fund held an investment of moneys received through the program and a statement of the amount of the investment in each business; and (c) a statement of the number of employees the business employed when the venture capital fund first invested moneys received through the program and the number of employees the business employed on the last day of the quarter. The oversight board would have to make the reports readily accessible to the public on WEDC's website

11. According to the administration's Budget in Brief, the venture capital fund would focus on investing in emerging Wisconsin companies. The administration indicates that high-growth industries, such as medical and informational technology, are vital to the state's future economic success, but that Wisconsin routinely attracts far less than its share of venture capital investment relative to its share of national population or income. Further, according to the administration, in recent years, investment in Wisconsin venture capital companies has been near historic lows relative to the national total.

12. A group headed by eight former secretaries of WEDC, and its predecessor (the Department of Commerce), announced their support for the venture capital fund proposed under AB

68/SB 111. In part, they support the proposal because it would allow Wisconsin entrepreneurs to access next-step financing from in-state sources, so that late stage venture capital companies would not be compelled to leave the state to obtain larger amounts of capital.

13. The fund of funds investment model is intended to leverage additional private funding to increase the reach and impact of the program. As such, the proposal would require that non-state funded investments comprise two-third of the venture capital funds invested through the WEDC fund of funds program. The administration indicates that WEDC should have oversight of this fund of funds program because WEDC can utilize its existing relationships with businesses across Wisconsin to match promising new businesses with necessary investment capital.

14. According to the Wisconsin Technology Council, an important consideration in the proposed amount of funding provided under the bill is to attract larger fund investment managers, and large investors, to Wisconsin. Large investors are less likely to be interested in small, unknown venture capital funds that invest in local companies with unknown growth prospects. Thus, the proposed public investment of $100 million is intended to compete with larger markets in the country to attract a larger pool of investment managers and investors who may otherwise not be inclined to invest in the state.

15. Further, the fund of funds model for investing in startups can also support the capacity of local venture capital firms and serve as a central connection for small local startup firms to national venture capital investors. Expanding the number of, and the reach of, local venture capital funds can improve access to equity financing in the state. For example, after receiving support from the Badger Fund of Funds, the Winnow Fund and the Gateway Capital Fund exceeded their fundraising goals, thereby adding new active investment funds in the state.

16. Also, investing resources into several different funds, as opposed to providing financing via a single fund or grant program, diversifies the risk that any single company or investing strategy may fail. By providing funding to several funds, the venture capital fund of funds would be able to utilize different industry knowledge and investment strategies into different sectors and regions of Wisconsin's economy.

17. For these reasons, the Committee could find that a WEDC fund of funds venture capital program could improve the sources of funding available to grow local firms seeking to expand in the state and approve the proposal (Alternative A1).

18. The Committee could also approve the program, but choose to fund the program at a different level (Alternative A2). In doing so, the Committee could choose to utilize federal funding the state receives under the State Small Business Credit Initiative (SSBCI), which was recently provided under the federal American Rescue Plan Act of 2021 (ARPA). Wisconsin is estimated to receive one-time SSBCI funding of approximately $56.2 million, for disbursement prior to September 30, 2030. SSBCI funding can be used by states to provide small businesses (generally having less than 500 employees) with financing through venture capital programs, lending, equity investment, or other credit support programs.

19. On the other hand, it should be noted that expending SSBCI funding for the venture

capital fund would prevent its expenditure for other programs. For instance, a previous round of SSBCI funding supported loans to small business, such as $1.5 million in 2016-17 that WEDC used to support technology development loans. According to the administration, WEDC and the Wisconsin Housing and Economic Development Authority will be the relevant entities working with DOA to prepare the state's application for SSBCI funding and for planning its use. WEDC indicates that it is currently in the planning stages for potential uses of the funds, as federal regulations regarding its use have not yet been promulgated. Until such guidance is issued, it may not be clear to what extent the SSBCI funding may be limited in how it could be invested through the venture capital fund, or through other economic programs.

Alternatives to WEDC Venture Capital Fund of Funds

20. Alternatively, the Committee could choose to provide additional funding for the Badger Fund of Funds program, rather than create a new venture capital program (Alternative A3). Under this alternative, the statutory provisions discussed above would also be adopted as to the administration of the additional state funding (but not to the preexisting program) provided to the Badger Fund of Funds. Current provisions regarding the existing Badger Fund of Funds program would remain unchanged.

21. As discussed, the Badger Fund of Funds has already committed funding to four seed stage funds and a growth stage fund. Given the Badger Fund of Funds' preexisting record of investment management on behalf of the state, as shown in the Attachment, the Committee could find that it is unnecessary to create an entirely separate fund to engage in similar activities.

22. On the other hand, the Committee may not wish to provide funding for the Badger Fund of Funds for several reasons. Creating a new fund could fill a different role in supporting firms in Wisconsin by focusing on the companies which need larger amounts of capital than currently intended under the Badger Fund of Funds. The Badger Fund of Funds is primarily oriented towards smaller dollar investments, typically $400,000 to $500,000, and smaller commitments to new venture capital funds. By law, the investment funds that receive funding from the Badger Fund of Funds are required to commit half of this funding to businesses having fewer than 150 employees. Thus, the Badger Fund of Funds, as it is currently constituted, is focused on smaller firms in the early stage and seed stage that have not yet begun to grow, or are only just starting to grow. Policy changes, new investment management contracts, and statutory changes to the Badger Fund of Funds may address such concerns. However, such changes may effectively be similar to creating a new fund of funds without offering a new request for proposals (RFP) for management of the fund.

23. By contrast, the proposed venture capital fund of funds would not be limited to investing in firms with fewer than 150 employees and could focus on larger companies seeking sizable financing in order to expand their state operations. In particular, the venture capital fund could more freely focus on investing in companies that specialize in specific growth industries, such as the health care sector, or on firms employing 20 to 499 employees, which are more likely over the longer term to contribute to job growth in Wisconsin.

24. Creating a second fund of funds program may provide for a more robust network of venture capital funding that does not depend on a single fund of funds or investment manager.

Further, WEDC's oversight board would be free to choose any investment manager (including the investment manager of the Badger Fund of Funds, if they choose to apply).

25. Alternatively, the Committee could find that it is unnecessary to provide WEDC with additional funding to administrate a venture capital fund program for several reasons (Alternative 5). First, the fund of funds model is relatively expensive to administrate due to higher management fees. This is both because there is an additional layer of management at the fund of funds level overseeing each fund and because the money is divided into smaller amounts across several funds. In addition to maintaining an oversight board at WEDC and paying fees at the fund of funds level to manage investments into smaller funds, each smaller fund may charge more on a cost basis to manage a smaller sum of money compared to a discount that may apply to a single fund managing one large lump sum.

26. Second, by diversifying funding across several funds, control over the investment is split across several actors. This removes direct control over the funding, which may lead to a slower pace of investment or unwanted investment decisions. As discussed above, the Badger Fund of Funds was established more than six years ago, but the five venture capital funds have only been funded with \$8.1 million of the \$27.1 million committed to them, and have only invested a total of \$19.6 million in combined public and private funds through March 21, 2021. These amounts are considerably less than the \$66.7 million made available in the Badger Fund of Funds and the amount invested to date is less than the original \$25 million provided by the state. Creating a new fund, or providing additional funding to the Badger Fund of Funds, could take a similar length of time before actual investments into local firms are made.

27. Third, under current law, WEDC already administers the angel investment tax credit and the early stage seed investment tax credit programs. As discussed above, participating QNBVs certified by WEDC are Wisconsin companies that must have fewer than 100 employees. However, once the business is certified, it can still participate after it grows past the 100 employee threshold. The existing QNBV program can already fulfill many of the same purposes the proposed venture capital fund would address.

28. Finally, Wisconsin individuals, pension funds, and other institutional investors already invest large amounts of money across the country, including into venture capital deals. For example, the state of Wisconsin Investment Board is the 8th largest public pension fund in the United States and the 25th largest in the world. Even with the growth in recent years of the number of venture capital deals, and the amount invested, in Wisconsin, the great majority of overall venture capital investment flows to other states (such as California, New York, and Massachusetts). This suggests that the reason for the disparity in the amount of venture capital funding in Wisconsin compared to these regions is not a lack of funding for investments, but rather opportunities in other states or the lack of networks and connections between Wisconsin entrepreneurs and local (or national) investors. The state-supported fund of funds model necessarily creates a tension between the need for private investors to generate a positive return and the goal for public funding to create jobs and economic growth specifically in Wisconsin. As a result, public funding may functionally deter private investors from participating because the investment opportunities will necessarily be limited in geographic scope. Further, state-supported investment in Wisconsin late stage growth companies may supplant private

sector funding that might otherwise have been invested in profitable venture capital funds investing in the same Wisconsin companies. Thus, the Committee may decide that public funding is not the solution to attracting venture capital to Wisconsin, but rather other programs that WEDC's Board could develop, using its existing operations and program funding, to connect Wisconsin businesses and venture capital funds to local and national investment networks.

Investment Oversight Policies

29. As discussed, in addition to establishing a venture capital fund of funds, the bill would require the oversight board to establish investment policies, subject to certain conditions, including that at least 20% of the investments made through the program would have to be directed to businesses that are: (a) located in parts of this state that typically do not receive significant investment from venture capital funds; (b) at least 51% owned by one or more members of a racial minority group and the management and daily business operations of which are controlled by one or more members of a racial minority group; or (c) at least 51% owned by one or more women and the management and daily business operations of which are controlled by one or more women.

30. If the Committee chooses to establish a venture capital fund of funds, it may also find that the above restrictions are necessary to improve access to venture capital across the state. According to the Wisconsin Technology Council, in 2019, the greater Madison and Southeast Wisconsin accounted for 102 out of the 123 venture capital deals (83%). Further, the share of woman-led or owned businesses that raised funding was only 22%. Requiring the oversight board to establish investment policies that expand opportunities for businesses in other areas of the state, or that are owned by one or more women and/or members of a racial minority group, could enhance economic growth and opportunities for businesses that may otherwise not be considered for funding.

31. On the other hand, the Committee could choose to permit the oversight board to establish its own investment policies and therefore remove these conditions (Alternative A4). Obligating the fund of funds to contractually require its participating venture capital funds to direct funding to certain regions or business owners may slow down or otherwise complicate the process of creating and investing under the fund of funds. Further, venture capital funds may not wish to participate if the oversight board dictates the distribution of their private funding in ways that run counter to their own investment strategies. Thus, the Committee may decide to allow the oversight board to establish its own investment policies for access across the state, including to woman- or racial minority- owned businesses, without explicit statutory requirements.

Prohibition against Using State Funds to Claim Early Stage Seed Investment Credit

32. As discussed, WEDC's policies and procedures prohibit the award of early stage seed investment credits for investment in QNBVs based on the state portion of funding in the Badger Fund of Funds. However, current law does not require WEDC to do so. State law permits early stage seed investment credits to be computed on any eligible investment made by the fund manager, which, subject to WEDC's policies and procedures, may include amounts contributed by the State through a fund of funds and later allocated among partners via a partnership agreement.

33. As a result, once a venture capital fund manager has been selected, a future agreement

could allow for the fund of funds manager to allocate the credit among its partners that are able to use the credit. Under such an agreement, it is reasonable to assume that any early stage seed investment credits generated from investments made with moneys contributed by the state would be allocated among the partners who are able to claim the credit. Under this scenario, it is possible that an investor could receive tax benefits that offset (or exceed) their entire investment amount, rather than tax benefits equal to 25% of the investment.

34. The Committee could choose to prohibit such claims by specifying in law that state funds provided under the Badger Fund of Funds and, if adopted, the WEDC fund of funds program may not be used as the basis for claiming the early stage seed investment credit (Alternative B1). Under this alternative, a claimant would compute the credit in proportion to the amount of their investment compared to all other amounts invested in a QNBV.

ALTERNATIVES

A. Venture Capital Fund of Funds

1. Create a continuing appropriation and provide $100,000,000 GPR in 2021-22 and require WEDC to establish and administer a fund of funds program to invest in venture capital funds that invest in businesses located in Wisconsin, including management fees and the amounts necessary to make investments through the program. Require WEDC to establish policies and procedures to administer the program, and specify that WEDC would have to create the fund of funds, provide that the fund continuously reinvest its assets, and create an oversight board to conduct any activity required by law or as directed by WEDC. [Additional detail regarding this alternative described in discussion point #10.]

ALT A1	Change to Base
GPR	$100,000,000

2. Adopt Alternative A1, but provide funding in one of the following amounts: (a) $25,000,000 GPR; (b) $50,000,000 GPR; (c) $75,000,000 GPR; or (d) $100,000,000 GPR. Specify that federal funding of $50 million would be allocated from the SSBCI to support this program.

ALT A2	Change to Base
a. GPR	$25,000,000
b. GPR	$50,000,000
c. GPR	$75,000,000
d. GPR	$100,000,000

3. Provide funding in one of the following amounts to the Badger Fund of Funds program: (a) $25,000,000 GPR; (b) $50,000,000 GPR; (c) $75,000,000 GPR; or (d) $100,000,000 GPR.

Specify that federal funding of $50 million would be allocated from the SSBCI to support this program. Specify that the legislative changes under Alternative A1 would apply to these funding amounts, except that DOA, rather than WEDC, would administrate the program.

ALT A3	Change to Base
a. GPR	$25,000,000
b. GPR	$50,000,000
c. GPR	$75,000,000
d. GPR	$100,000,000

4. Adopt either Alternative A1, A2, or A3, with the modification to remove the requirement that the oversight board establish investment policies that at least 20% of the investments made through the program be directed to businesses that are: (a) located in parts of this state that typically do not receive significant investment from venture capital funds; (b) at least 51% owned by one or more members of a racial minority group and the management and daily business operations of which are controlled by one or more members of a racial minority group; or (c) at least 51% owned by one or more women and the management and daily business operations of which are controlled by one or more women.

5. Take no action. Under this alternative, the administration could direct WEDC to allocate federal funds from the SSBCI for the venture capital fund of funds program.

B. Prohibit Using State Funds to Claim Early Stage Seed Investment Credit

1. Specify that state funds provided via the Badger Fund of Funds and, if adopted, the WEDC fund of funds program may not be used as the basis for claiming the early stage seed investment credit (Alternative B1).

2. Take no action.

Prepared by: John D. Gentry
Attachment

ATTACHMENT

Badger
Fund of Funds

To: Limited Partners of Badger Fund of Funds I, L.P.

Date: May 26, 2021

Re: Badger Fund of Funds I Report for the Quarter Ended March 31, 2021

Dear Limited Partners,

We are pleased to report on the progress achieved by the Badger Fund of Funds (the "Badger Fund") during the quarter ended March 31, 2021. In accordance with Section 7(c)(i) of the Limited Partnership Agreement of the Badger Fund, Sun Mountain Kegonsa will provide a report after the end of each fiscal quarter. Below please find an update on the Badger Fund's operations and investment activity.

Investment Activity

Five venture capital funds have received a commitment from the Badger Fund. These commitments include four seed stage funds and one growth stage fund. Four funds have held final closings as of the date of this report and are actively investing. The fifth fund, the Gateway Fund, has held its initial closing and expects to complete its fund-raising in the second quarter of 2021. Additional detail on the seed and growth funds is provided below.

Seed Stage Funds

Three seed stage funds held final closings prior to the quarter and are actively investing into companies: The Idea Fund of La Crosse, the Winnebago Seed Fund and, most recently, the Winnow Fund. The Winnow Fund held its final close at the end of 2020 and approved its first two investments subsequent to quarter end will be reflected in the next reporting period. The Winnebago Seed Fund's investment committee approved its last new investment during the quarter.

During the quarter one Idea Fund portfolio company, SciArt, ceased operations. This is the second portfolio company that has been exited. In terms of the overall Badger Fund portfolio, this is consistent with national average statistics for venture capital portfolios.

The Gateway Capital Fund is currently fundraising. During the quarter, the Gateway Capital Fund announced a first close of $6 million from both the Badger Fund and other private institutional and high net worth investors. The Gateway Fund will focus on pre-revenue start-ups from the Milwaukee region.

Growth Stage Funds

During the quarter, Rock River Capital Partners made one new investment in Kilter Rewards. Kilter Rewards is a developer of a personal fitness and wellness platform designed to build healthier communities through enabling more active lifestyles. The investment round for Kilter Rewards also included Wisconsin-based venture capital fund HealthX Ventures.

For additional detail regarding funds that have closed on commitments to date, see Appendix A.

Portfolio Reporting

Please find below reporting information related to investments in Badger Fund portfolio funds as well as investments made by portfolio funds into Wisconsin-based startup companies.

Badger Fund of Funds

Portfolio Funds

The table below summarizes commitments made to portfolio funds as of March 31, 2021, the amount of the Badger Fund commitment that has been funded as of March 31, 2021, and the amount each fund has invested into Wisconsin-based startup companies.

Badger Fund of Funds Portfolio Summary *as of 3/31/21*	Total Fund Size	BFF Commitment	Funded To Date	Percent Funded	Invested to Date[1]
Seed Stage Funds					
Idea Fund of La Crosse	$ 13,000,000	$ 5,200,000	$ 2,531,854	49%	$ 5,983,632
Winnebago Seed Fund	$ 11,000,000	$ 4,400,000	$ 2,737,478	62%	$ 6,640,049
Winnow Fund	$ 10,220,000	$ 5,110,000	$ -	0%	$ -
Gateway Capital Fund	$ 6,000,000	$ 2,400,000	$ -	0%	$ -
Total Seed Stage	**$ 40,220,000**	**$ 17,110,000**	**$ 5,269,332**	**31%**	**$ 12,623,681**
Growth Stage Funds					
Rock River Capital Partners	$ 26,475,000	$ 10,000,000	$ 2,840,041	28%	$ 6,988,759
Total Growth Stage	**$ 26,475,000**	**$ 10,000,000**	**$ 2,840,041**	**28%**	**$ 6,988,759**
Badger Fund Total	**$ 66,695,000**	**$ 27,110,000**	**$ 8,109,373**	**30%**	**$ 19,612,440**

[1]Invested to Date reflects the total amount invested by a portfolio fund in Wisconsin-based businesses including the Badger Fund commitment as well as private investors in the portfolio fund.

Portfolio Companies

The following table summarizes the company-level investment activity as of March 31, 2021, the amount attributable to the Badger Fund and the total capital raised by the companies to date:

Badger Fund Investment Multiple Summary	*As Of 3/31/21*
Active Portfolio Companies	23
Exited Portfolio Companies	2
Total Portfolio Companies	25
Total Investment in Active Portfolio Companies	
(A) Badger Fund Investment[1]	$ 7,689,230
(B) Other Dollars Invested[2]	$ 26,174,052
Total Investment in Active Portfolio Companies	**$ 33,863,282**
Investment Multiplier (B/A)	**3.4x**

[1]Total amount of Badger Fund commitment invested by Portfolio Funds excluding private investment at the fund level

[2]Total amount of capital raised by companies excluding Portfolio Fund investment

In aggregate, for every $1 invested by the Badger Fund, an additional $3.4 from other investors has been invested in these Wisconsin-based companies. The following table summarizes the impact of Badger Fund portfolio companies in terms of employment and payroll.

Badger
Fund of Funds

Badger Fund Economic Development Summary		*As Of 3/31/21*
Total WI Employees		181
Total Quarterly WI Payroll	$	3,680,688
Average Employee Salary	$	81,341
Median WI Household Income[2]	$	61,747

[1]Data collected from Badger Fund portfolio funds

[2]United States Census Bureau, 2019

All but one of the companies receiving investment are considered Qualified New Business Ventures (QNBV) per Wisconsin Statutes and therefore are eligible for 2003 Act 255 tax credits.

For additional information regarding the companies which have received investment from Badger Fund portfolio funds to date, please see Appendix B.

For additional detail regarding company investments, please see Appendix C.

Capital Calls

As of March 31, 2021, the Badger Fund had issued ten capital calls to Limited Partners. The Badger Fund issued one additional capital call on May 19, 2021 to fund investments. The Badger Fund anticipates making its next capital call in the third quarter of 2021.

Tax Reporting

On April 5, 2021, the Badger Fund issued 2020 K-1's, inclusive of each Limited Partner's annual allocation of ACT 255 tax credits.

Summary

In summary, the quarter ended March 31, 2021 marked significant progress in terms of portfolio fund progress. The first close of the Gateway Capital Fund, the last fund in the Badger Fund portfolio, marks a significant milestone for the Badger Fund. The traction with institutional investors achieved by the Gateway Capital Fund is highly encouraging in terms of expectations for a final close for the fund. With the Winnow Fund beginning to actively make investments and the Gateway Fund anticipating beginning actively investing in the second half of the year, the Badger Fund is optimistic about investment volume in new opportunities.

If you have any questions or wish to discuss any aspect of this report, please do not hesitate to contact me or Ken Johnson.

Best Regards,

Brian Birk
President
Sun Mountain Kegonsa, LLC

Kenneth U. Johnson
Partner
Sun Mountain Kegonsa, LLC

Badger
Fund of Funds

Appendix A – Portfolio Fund Summaries

Seed Stage Funds

Fund Name	Summary
Idea Fund of La Crosse *102 Jay Street, Suite 400* *La Crosse, Wisconsin* *ideafundvc.com*	**Idea Fund of La Crosse** focuses on seed stage startup companies in Western Wisconsin. The fund is based in La Crosse, Wisconsin. The fund is managed by Jonathon Horne, a La Crosse native with professional experience in the financial services industry.
Winnebago Seed Fund *124 W. Wisconsin Ave, Suite 240F* *Neenah, Wisconsin* *winnebagoseedfund.com*	**Winnebago Seed Fund** focuses on seed stage startup companies in the Fox Valley region. The fund is based in Neenah, Wisconsin. The fund is managed by David Trotter, a native of the Fox Valley with investment management experience.
Winnow Fund *2858 University Avenue, Suite 256* *Madison, Wisconsin* *winnowfund.com*	**Winnow Fund** focuses on formation and seed stage companies related to universities in the State of Wisconsin. The fund is based in Madison, Wisconsin. The fund is managed by Richelle Martin, a Wisconsin native with experience in commercializing university intellectual property.
Gateway Capital *1433 N. Water Street, Suite 400* *Milwaukee, Wisconsin* *Gwaycapital.com*	**Gateway Capital Fund** focuses on seed stage startup companies in the Milwaukee County region. The fund is based in Milwaukee, Wisconsin. The fund is managed by Dana Guthrie, a Milwaukee resident with experience in corporate and engineering roles as well as angel investment.

Growth Stage Funds

Fund Name	Summary
Rock River Capital Partners *821 East Washington Ave* *Madison, Wisconsin* *rockrivercapital.com*	**Rock River Capital Partners** focuses on growth stage startup companies across Wisconsin. The fund is based in Madison, Wisconsin. The fund is managed by Andrew Walker and Christopher Eckstrom, Wisconsin natives. Andrew Walker has experience successfully managing startup companies. Christopher Eckstrom has experience in institutional investment management.

Appendix B – Active Portfolio Company Summaries

Company Name	Summary
Agrograph *3830 Council Crest* *Madison, Wisconsin*	**Agrograph** provides a platform that delivers accurate and timely information on crop yields, land sustainability, risk assessment and other agricultural information and field scale.
AiQ Solutions *8025 Excelsior Dr* *Madison, Wisconsin*	**AiQ Solutions** is a software company focused on tracking cancerous tumors. The company's software is based on technology from the Wisconsin Alumni Research Foundation (WARF).
AirDeck *7 Paget Rd,* *Madison, Wisconsin*	**AirDeck** is a document/presentation platform that provides innovative voice-based solutions for presenters.
American Provenance *9873 Blue Valley Rd* *Mt. Horeb, Wisconsin*	**American Provenance** is a consumer products company which provides hand-crafted natural personal care and wellness products.
Arbre Technologies *PO Box 622* *Stevens Point, Wisconsin*	**Arbre Technologies** is focused on revolutionizing asset management for tree nurseries and other green asset companies via a state-of-the-art software combined with innovative hardware applications.
Backtrack Video *1935 Stonebridge Rd* *West Bend, Wisconsin*	**Backtrack Video** provides a platform to connect buyers and sellers of videos related to accidents, incidents and crime.
Curate Solutions *326 W. Gorham Street* *Madison, Wisconsin*	**Curate Solutions** provides a SaaS platform which combines web-scraping and artificial intelligence to scan public municipality meeting minutes and agendas to find upcoming projects for general contractors and vendors.
DropCap *232 3rd Street NW, Suite 202* *La Crosse, Wisconsin*	**DropCap** provides software to help book publishers market, license and manage their subsidiary rights.
Gentueri *7126 New Washburn Way* *Madison, Wisconsin*	**Gentueri** provides innovate solutions for the collection, packaging, preservation and processing of biological samples.
Kilter Rewards *811 E. Washington Ave, Suite 500* *Madison, Wisconsin*	**Kilter Rewards** is the developer of a personal fitness and wellness platform designed to build healthier communities by enabling more active lifestyles.
Part Analytics *N19 W24400 Riverwood Dr* *Waukesha, Wisconsin*	**Part Analytics** is focused on saving electronic OEMs money by providing actionable insights related to cost reduction and supply chain risk.
Pure Oxygen Labs (URL Genius) *8383 Greenway Blvd* *Madison, Wisconsin*	**Pure Oxygen Labs (URL Genius)** is a software company focused on marketing and advertising automation technology.

Quiver Quantitative *408 W Lesson St* *Spring Green, Wisconsin*	**Quiver Quantitative** provides a free, alternative data platform designed for retail investors.
Reach Works *1201 N. Main St* *Viroqua, Wisconsin*	**Reach Works** is a specialty beverage concept company.
Ready Set Technologies *860 O Keefe Rd* *De Pere, Wisconsin*	**Ready Set Technologies** provides a retail platform to provide strategic technological and aesthetic expertise to retailers.
Rebate Bus *821 E. Washington Ave* *Madison, Wisconsin*	**Rebate Bus** provides a platform for expediting the delivery of utility rebates and incentives.
Sift Medical Data *3268 N. Hacket Ave* *Milwaukee, Wisconsin*	**Sift Medical Data** is a healthcare analytics platform that leverages data sources to reduce claims denials, increase patient collection rates and capture clinical insights for clients.
Smart Care *312 S. Barstow St. Suite 2* *Eau Claire, Wisconsin*	**Smart Care** provides a business automation software for home healthcare providers.
Socialeads *925 E. Wells Street, Suite 1123* *Milwaukee, Wisconsin*	**Socialeads** is an artificial intelligence (AI) platform that helps financial services companies and their advisors to automatically know the size, depth and value of their professional and social networks.
Spin Live (fka Gravy Live) *202 State St, Suite 200* *Madison, Wisconsin*	**Spin Live** is an e-commerce company focused on creating a unique online retail experience for consumers and marketers.
Swallow Therapeutics *232 3rd St S. Suite 202* *La Crosse, Wisconsin*	**Swallow Therapeutics** is focused on commercializing the SwallowSTRONG medical device, which treats the swallowing disorder dysphagia.
Tixora *1001 University Ave, Suite 805* *Madison, Wisconsin*	**Tixora** provides a mobile application for the collection of municipal public transit fares and transit tracking.
Zihi *2801 Marshall Ct.* *Madison, Wisconsin*	**Zihi** is an Artificial Intelligence/Machine Learning-enabled endurance sports training platform for coaches and athletes.

Badger Fund of Funds

Appendix C – Company Investment Detail

Badger Fund of Funds - Portfolio Funds Company Investments *As Of 3/31/21*	Portfolio Fund Investment[1]	Badger Fund Amount[1]	Total Capital Raised	WI Employees At Investment	WI Employees Current
Company A	$ 1,399,996	$ 548,856	$ 1,750,000	2	5
Company B	$ 667,009	$ 266,804	$ 1,908,000	3	17
Company C	$ 400,000	$ 160,000	$ 400,000	2	0
Company D	$ 600,000	$ 240,000	$ 600,000	9	8
Company E	$ 624,999	$ 250,000	$ 750,000	1	29
Company F	$ 575,000	$ 230,000	$ 900,000	2	3
Company G	$ 500,000	$ 200,000	$ 500,000	1	2
Company H	$ 640,000	$ 256,000	$ 740,000	3	5
Company I	$ 1,000,000	$ 377,715	$ 3,500,000	8	12
Company J	$ 2,099,986	$ 808,795	$ 3,900,000	5	6
Company K	$ 400,000	$ 151,086	$ 500,000	1	1
Company L	$ 500,000	$ 200,000	$ 500,000	4	3
Company M	$ 250,000	$ 100,000	$ 250,000	0	1
Company N	$ 250,003	$ 94,430	$ 700,000	5	5
Company O	$ 500,000	$ 200,000	$ 1,500,000	6	19
Company P	$ 267,500	$ 107,000	$ 625,000	0	2
Company Q	$ 600,000	$ 240,000	$ 609,000	1	2
Company R	$ 1,000,000	$ 377,715	$ 1,000,000	2	9
Company S	$ 1,170,000	$ 460,200	$ 1,250,000	3	11
Company T	$ 1,983,756	$ 765,451	$ 4,908,756	13	8
Company U	$ 500,000	$ 200,000	$ 502,276	0	1
Company V	$ 804,123	$ 321,649	$ 956,500	2	0
Company W	$ 500,000	$ 200,000	$ 500,000	3	11
Company X	$ 1,930,068	$ 753,531	$ 4,113,750	1	12
Company Y	$ 450,000	$ 180,000	$ 1,000,000	4	9
Total	**$ 19,612,440**	**$ 7,689,230**	**$ 33,863,282**	**81**	**181**

Note: Companies anonymized quarterly in reporting of investment and employment data to protect confidential company information.

[1]The Portfolio Fund Investment Amount is inclusive of the Badger Fund Amount. The Badger Fund Amount represents the portion of a portfolio fund's investment that is attributable to the Badger Fund's commitment to that fund.

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June, 2021 | Joint Committee on Finance | Paper #657

Reestimate WEDC SEG Appropriation Level
(Wisconsin Economic Development Corporation)

[LFB 2021-23 Budget Summary: Page 621, #3]

CURRENT LAW

The state appropriates to the Wisconsin Economic Development Corporation (WEDC) base funding of $41,550,700 (all funds) from a sum sufficient operations and programs general purpose revenue (GPR) appropriation and segregated funds (SEG) from the economic development fund and the environmental fund.

WEDC's primary source of funding is the economic development surcharge, which is imposed on tax-option (S) corporations, C corporations, and insurers that are required to file a corporate income/franchise tax return if they have more than $4,000,000 in gross receipts from all activities. Partnerships and individuals are exempt from the surcharge, beginning in tax year 2013. The surcharge equals 3% of gross tax liability for C corporations and insurers, or 0.2% of net business income for S corporations. The minimum economic development surcharge is $25, and the maximum is $9,800.

WEDC is also provided a biennial SEG appropriation with base funding of $1,000,000 annually for brownfield site assessment grants from the environmental fund.

Pursuant to 2019 Act 9, GPR may be expended from WEDC's sum sufficient appropriation only if there are no unencumbered moneys available in the economic development fund. Thus, the first draws for programs and operations should come from the economic development fund until the available balance of the SEG appropriation is depleted. Specifically, the funding for operations and programs is provided in an amount of GPR equal to $41,550,700 minus the amounts expended from the economic development fund and the environmental fund. However, GPR programs and operations spending in any year is capped at $16,512,500.

Base funding for WEDC operations and programs is $41,550,700 all funds in 2021-22 and

2022-23, comprised of: (a) $28,000,000 SEG annually from its all monies received operations and programs SEG appropriation from the economic development fund; (b) $12,550,000 GPR annually from its sum sufficient programs and operations GPR appropriation; and (c) $1,000,000 SEG annually for brownfield site assessment grants from the environmental fund.

MODIFICATION

Reestimate WEDC's all monies received operations and programs SEG appropriation at $32,300,000 SEG in 2021-22 and $33,900,000 in 2022-23 from the economic development fund.

Explanation: The estimates are based on more recent collections data from the Department of Revenue regarding the economic development surcharge than used by the administration prior to enactment of 2021 Acts 1 and 2. WEDC's sum sufficient GPR operations and programs appropriation is not included as part of this item, which the Committee already reduced relative to base funding by $4,300,000 GPR in 2021-22 and $5,900,000 GPR in 2022-23 as part of its deliberations on sum sufficient reestimates, as adopted under LFB Paper #102.

	Change to Base
SEG	$10,200,000

Prepared by: John D. Gentry

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June, 2021 Joint Committee on Finance Paper #658

Repeal Obsolete Appropriations and Statutory Provisions (Wisconsin Economic Development Corporation)

CURRENT LAW

The Wisconsin Economic Development Corporation (WEDC) was created to replace the former Department of Commerce (Commerce) as the state's lead agency in promoting economic development under 2011 Acts 7 and 32. All moneys from any general fund appropriation used to fund economic development programs of Commerce, and the unencumbered balance in certain appropriations administered by Commerce, were transferred to WEDC under Acts 7 and 32. These funds were deposited into a continuing all moneys received PR appropriation created under WEDC for the purposes of funding programs it administered. The transfer was completed in 2011-12 upon enactment of Act 32. Base funding of $0 is provided to this appropriation.

Under 2017 Act 318, a talent attraction and retention initiatives continuing appropriation was created under WEDC to provide one-time funding of $6,800,000 GPR in 2017-18. WEDC was required to collaborate with state agencies to develop and implement initiatives for the attraction of talent and retention of talent in this state, including by leveraging the existing programs of state agencies for those purposes within the scopes of those existing programs. All moneys were expended from this appropriation as of December, 2019. Base funding of $0 is provided to this appropriation.

The 2015-17 biennial budget bill (2015 Act 55) created a statutory provision requiring WEDC to make a grant of $250,000 to the River Falls Economic Development Corporation to construct the St. Croix Valley Business Incubator, provided that federal moneys were secured for the same purpose. WEDC made this grant award in 2015-16.

DISCUSSION POINTS

1. Funding provided to continuing appropriations can remain available in the appropriation

until utilized in future years. For example, Act 318 provided $6.8 million in a continuing appropriation in 2017-18 for talent attraction and retention initiatives in 2017-18. WEDC was able to utilize one-time funding to this appropriation in state fiscal years 2017-18, 2018-19, and 2019-20, until all monies appropriated were expended from that appropriation in December, 2019. No funding remains in either WEDC's talent attraction and retention initiatives GPR appropriation or its transferred general fund moneys from Department of Commerce PR appropriation. Repealing these appropriations would have no impact on WEDC's operations under current law and would reduce the number of state appropriations provided to WEDC from six to four.

2. As described above, during deliberation of the 2015-17 biennial budget, the Joint Committee on Finance provided $250,000 GPR in 2015-16 to WEDC for the purpose of making a grant to the River Falls Economic Development Corporation. The award was required in statute, and GPR funding was provided for the award to WEDC on a one-time basis. This statute has not affected grant award considerations after the grant was made in 2015-16.

3. These obsolete appropriations remain in the statutory schedule of appropriations even though they are no longer operative and have no programmatic effect.

ALTERNATIVES

1. Repeal the transferred general fund moneys from Department of Commerce PR appropriation and the talent attraction and retention initiatives GPR appropriation and associated statutory language. Repeal the statute created under 2015 Act 55 requiring WEDC to make a $250,000 grant to the River Falls Economic Development Corporation.

2. Take no action.

Prepared by: Sean Moran