



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 25, 2005

Joint Committee on Finance

Paper #209

Forward Wisconsin (Commerce)

[LFB 2005-07 Budget Summary: Page 107, #11]

CURRENT LAW

Forward Wisconsin is a 501(c)(3) nonprofit organization created in 1984 to attract business to Wisconsin. Forward Wisconsin focuses on promotion and marketing in an effort to attract expanding and relocating businesses to the state. The organization also markets the state as a destination for job seekers. Forward Wisconsin is provided base funding of \$320,000 GPR through Commerce, and also receives funding through private investments.

GOVERNOR

Provide an additional \$180,000 GPR in 2005-06 and \$1,000,000 GPR in 2006-07 for Forward Wisconsin. The Department of Administration would be required to certify that Forward Wisconsin raised at least \$2 million in private funds in 2005-06 and 2006-07, in order for Forward Wisconsin to receive the additional \$1 million GPR provided in 2006-07.

DISCUSSION POINTS

1. Forward Wisconsin works to promote the state's image, project the state's positive business climate, and to attract industry and workers to Wisconsin. Traditionally, Forward Wisconsin has used a range of marketing activities; (a) direct mail and telemarketing; (b) print advertising campaigns; (c) trade show appearances at industry expositions; (d) out-of-state prospecting trips to meet with CEO's interested in locating in Wisconsin; and (e) providing business cost comparisons, financial information, and other business consulting services. The organization has also offered related information on the Internet through its website. The Internet site has recently been updated to include a statewide building site information database about all Wisconsin

municipalities and counties.

2. In 2004, Forward Wisconsin engaged in the following new activities:

a. The organization's private sector leadership formed a Fund Development Committee with the goal of generating more resources for Forward Wisconsin that will be used for new marketing programs.

b. A new earned media campaign was launched. Development Counselors International (DCI), a world-leading firm in marketing locations, was secured as a partner to communicate Wisconsin's business advantages. The program includes an ongoing earned media and outreach effort to journalists and business site selection consultants. DCI works to gain editorial placements through its network with national, international, and regional media. The program also involves journalist visits to Wisconsin, and familiarization tours for corporate location executives and consultants. Finally, DCI provides ongoing advice and counsel to Forward Wisconsin;

c. Development of a new Internet website to: incorporate a statewide database of site, building, and community information; use data to meet International Development Council Site Selection Data Standards; build in geographic information system technology; and feature a content management system for instant updates. The website enables Forward Wisconsin to consolidate all its websites into one easy-to-navigate web portal, and offers downloadable fact sheets and publications to economic development professionals.

3. Forward Wisconsin typically conducts two major annual marketing trips to Minneapolis/St. Paul and Chicago to communicate directly with business executives who may be considering expansion options in Wisconsin. Letters from the Governor and cost-comparative information pieces are mailed to executives in targeted businesses. A telephone contact program to arrange appointments with interested executives follows the mailings. Wisconsin economic development professionals partner with Forward Wisconsin staff to conduct interviews. The interviews are used to identify leads and prospects for business expansion in the state. Follow-up activities are conducted to remain in contact with interested CEO's.

4. Forward Wisconsin focuses on marketing Wisconsin to out-of-state companies to attract new businesses, jobs, and increased economic activity to the state. The organization coordinates its economic development activities with those undertaken by the Department of Commerce. Forward Wisconsin is responsible for out-of-state marketing and business attraction, while Commerce is responsible for existing business retention, expansion, financial programs and international development. Forward Wisconsin has a staff of five full-time and one contract positions, offices in Madison, Eau Claire (Chippewa Valley Technical College), and Pewaukee (Waukesha County Technical College), and an annual budget of about \$770,000. Generally, annual revenues and expenditures are about the same.

5. Total funding for Forward Wisconsin is projected to be \$870,000 in 2005-06. Included in total funding is the \$320,000 GPR annual grant (36.8%) from Commerce and \$440,000

(50.6%) in private sector investment. In addition, one-time funding of \$100,000 is provided for purchase, implementation and operation of LocationOne Information System (LOIS) software that is linked to Forward Wisconsin's website to provide a statewide database of buildings and sites for location, community information, and state and metropolitan statistical area (MSA) data. The additional restricted funds were provided through a \$75,000 grant from Commerce and \$25,000 in private donations.

6. Annual funding of \$500,000 GPR was provided by the state to Forward Wisconsin each fiscal year from 1984-85 through 1991-92. The organization received \$400,000 GPR in 1992-93 and \$500,000 GPR again, respectively, for 1993-94 and 1994-95. The 1995-97 budget bill reduced annual funding to \$250,000 for each year of the biennium. In 1995-96, total revenues were \$761,900, of which \$505,300 (66%) was provided by private investment and \$250,000 (32.8%) was state funding. In 1996-97, total revenues were \$772,300, with \$517,700 (67%) from private investment and \$250,000 (33%) in state funding. State funding was returned to \$500,000 in the 1997-99 biennium, and remained at that level until 2002-03. Annual base level funding for aid to Forward Wisconsin was reduced by \$25,000 GPR in 2001 Wisconsin Act 109 (the 2001-03 budget review act). Finally, annual base funding was further reduced by \$155,000 GPR, to the current level of \$320,000 GPR, in 2003-05 Wisconsin Act 33 (the 2003-05 biennial budget).

7. The bill would increase funding for Forward Wisconsin to \$500,000 GPR in 2005-06. Staff expect to attract additional private investment to increase total funding for the organization to approximately \$1,000,000 in 2005-06. Under the bill, the organization would receive \$320,000 and could obtain an additional \$1 million GPR in state funding in 2006-07, by raising at least \$2 million in private investments over the 2005-07 biennium. As a result, Forward Wisconsin's total revenues could be \$3,320,000 in 2006-07. Forward Wisconsin staff indicate that the additional funding would be used for the following purposes: (a) targeting marketing programs to attract more site selection consultants and corporate real estate executives to the state by developing communication channels and attending conferences; (b) extending annual CEO marketing trips to other states beyond Minnesota and Illinois; (c) developing international marketing activities through foreign language website content, information materials, and meetings with trade delegations and Midwest trade consulates; (d) complementing efforts to market industry cluster groups through information materials and trade shows; (e) expanding marketing activities to special events like the EAA; (f) starting an advertising program targeted at site selection consultants, corporate real estate consultants and CEOs; (g) upgrading site selection data and related information on the website; (h) providing matching grants and marketing materials to communities to assist in their efforts to attract businesses to the state; and (i) upgrading and developing promotional and research publications and materials.

8. Staff would point to the November, 2004, Job Creation Report that indicates that between 1987 and 2004, Forward Wisconsin provided significant assistance to 280 business attraction projects (211 expansions, 55 relocations, and 14 start-ups) that created over 15,700 jobs. These projects are located in 47 different counties.

9. The administration has submitted a letter to the Co-chairs of the Joint Committee on

Finance requesting modifications to a number of items included in AB 100. Included in the list of items, is a request to modify the Forward Wisconsin funding provisions to allow Forward Wisconsin to obtain any amount of the \$1 GPR million provided in 2006-07, if the organization provides a two-to-one match in private investment funds, above the amount used to match base level state funding. Under the bill, the organization would only receive the additional \$1 million in state funds if the full \$2 million had been raised privately.

10. Forward Wisconsin has existed since 1984 and has received varying levels of state GPR funding over that time period. In reviewing this budget provision, the Committee may wish to consider the various levels of support that have been provided in previous years. Historically, annual funding of \$500,000 GPR has been appropriated most often, and this has been the highest level of annual state support. Thus, the Committee could provide increased annual funding \$180,000 GPR and establish base level funding for Forward Wisconsin at its most common level, while providing funds for additional activities. Conversely, denying the recommended increased funding would continue state support at its current level. Although this level of annual funding would not allow Forward Wisconsin to expand its activities, it would not face the base level funding reductions that most state agencies, including Commerce, would experience under AB 100. Finally, Forward Wisconsin was able to continue its activities with annual funding of \$250,000 GPR, during the 1995-97 biennium. If the Committee wished to reduce funding for the organization, this level would be an option. It should be noted, that a reduction in state level funding could be viewed by some in the private sector as a lack of support for Forward Wisconsin's activities, and cause private support to drop as well. On the other hand, the two-to-one private to state level funding matching requirement included in the bill could be viewed as indicating a potential for significantly more private investment in the organization than is currently the case.

ALTERNATIVES

1. Adopt the Governor's original recommendation to provide an additional \$180,000 GPR in 2005-06 and \$1,000,000 GPR in 2006-07 for Forward Wisconsin. Require the Department of Administration to certify that Forward Wisconsin raised at least \$2 million in private funds during the 2005-07 biennium, in order for Forward Wisconsin to receive the additional \$1 million GPR provided in 2006-07.

2. Adopt the administration's revised recommendation to require that for Forward Wisconsin to access the \$1 million GPR provided in 2006-07, it must raise \$2 in private investments, above those used to match base level state funding, for every \$1 in state funding it receives.

3. Modify the Governor's recommendation to provide \$180,000 GPR in each year, rather than \$180,000 GPR in 2005-06 and \$1,000,000 GPR in 2006-07, in funding for aid to Forward Wisconsin. Annual funding would be \$500,000 GPR.

<u>Alternative 3</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	- \$820,000

4. Maintain current law.

<u>Alternative 4</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	- \$1,180,000

5. Reduce base level funding for aid to Forward Wisconsin by \$70,000 GPR annually to provide \$250,000 GPR annually.

<u>Alternative 5</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	- \$1,320,000

Prepared by: Ron Shanovich