



## Legislative Fiscal Bureau

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April 17, 2015

Joint Committee on Finance

Paper #703

### **Grant for Global Entrepreneurship Collective, Inc. (Formally Vettransfer) (Veterans Affairs and Forward Wisconsin Development Authority)**

[LFB 2015-17 Budget Summary: Page 165, #3 and Page 528, #14]

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#### **CURRENT LAW**

The 2013-15 biennial budget act required the Department of Veterans Affairs (DVA) to make a one-time grant of \$500,000 SEG from the veterans trust fund to Veteran Entrepreneurial Transfer, Inc. (Vettransfer) in 2013-14 from a veterans trust fund appropriation. Vettransfer is an organization, based in Milwaukee, which provides training and other assistance to veterans engaged in entrepreneurship. Of the amount provided, Vettransfer was required to provide at least \$300,000 to pay costs associated with a start-up business that a Wisconsin veteran owns and up to \$200,000 may be used to provide entrepreneurship training for veterans who are state residents. Vettransfer is required to provide a report to DVA each year after receiving the grant that includes information on the organization's training activities and grant recipients.

#### **GOVERNOR**

Provide \$500,000 GPR in 2016-17 for the purpose of making a one-time grant to Global Entrepreneurship Collective, Inc. (GEC), an organization that provides training and other assistance to veterans engaged in entrepreneurship. Require the Forward Wisconsin Development Authority (FWDA), which would be created under the budget bill, to make the grant in 2016-17. Specify that at least \$300,000 of the grant must be to pay for costs associated with a start-up of a business located in Wisconsin that a veteran owns. Provide that these grants may only be made to veterans who are Wisconsin residents or to businesses owned by veterans who are state residents. Specify that up to \$200,000 of the grant may be for entrepreneurial training and related services to veterans who are state residents. Specify that GEC may not

expend any of the grant moneys after June 30, 2017, or a later date established by FWDA, and require GEC to pay any unexpended moneys to DOA Secretary, for deposit in the general fund.

Require GEC to submit to FWDA and to the Secretary of the Department of Veterans Affairs a report annually by March 1, until 2018, or one year following the sunset date established by the Authority. Require the report to include the following: (a) the most recent financial statement for GEC; (b) a detailed description of the criteria GEC used to determine who received a grant during the previous year; (c) a verified statement describing in detail grants GEC made to veterans' business start-up costs or veterans' entrepreneurial training during the previous year, which must be signed by an independent certified public accountant and the director or principal officer of GEC, so as to attest to the accuracy of the verified statement; and (d) a summary of all investments and grants of any kind that GEC made during the previous year.

Provide that, for each award GEC made during the previous year, the verified statement that GEC is required to include in its annual report must include the following information for each grant awarded: (a) the name and address of the grant recipient and the name and address of the start-up business; (b) the names and addresses of all of the start-up business's owners, including an identification of the business's owners who are veterans, and, if the grant recipient were a business other than the start-up business, the names and addresses of the grant recipient's owners, including an identification of the business's owners who are veterans; (c) the names and addresses of the start-up business's board of directors and key management employees and, if the grant recipient were a business other than the start-up business, the names and addresses of the grant recipient's board of directors and key management employees; (d) a description of the nature of the start-up business; (e) any information the grant recipient submitted to GEC to apply for the grant; (f) the amount of the grant and the date GEC awarded the grant; and (g) a statement of the number of employees the start-up business employed on January 1 of the previous year and the number of employees the start-up business employed on December 31 of the previous year.

Require FWDA, in submitting its budget request for the 2017-19 biennial budget, to subtract \$500,000 from the base of the general program operations appropriation (so that the funding provided for making the grant is not part of the ongoing base of the appropriation).

Delete a provision that requires Vettransfer, Inc. to submit a report to the Department of Veterans Affairs that provides information on the use of a \$500,000 grant the Department made to that organization.

## **DISCUSSION POINTS**

1. The bill would require the Forward Wisconsin Development Authority (FWDA) to make a one-time grant of \$500,000 to Global Entrepreneurship Collective, Inc. (GEC) in 2016-17. GEC is the new name of Vettransfer, the organization that received a grant in 2013-14 from the Department of Veterans Affairs. [The name change was made to reflect that the organization now provides training to entrepreneurs who are not veterans.] The parameters of the grant with respect

to the use of funds and reporting requirements would be the same as the DVA grant, except that reports would be filed with FWDA.

2. GEC operates as a business accelerator for startup businesses. Startups that are selected to participate in GEC's 12-week training course conduct interviews with potential customers, develop business plans, and meet with business mentors and GEC staff on a regular basis to discuss their progress. Businesses that successfully complete the training may apply to receive startup grants and marketing assistance. GEC continues to provide assistance through the development of the business by, for instance, helping them connect with potential investors.

3. Using the \$500,000 DVA grant funds, Vettransfer provided \$10,000 grants to four businesses in 2013 and spent \$60,000 on operational expenses, including activities related to its training program. In 2014, Vettransfer provided \$10,000 grants to 12 businesses and spent \$235,000 on operational expenses and marketing expenses purchased on behalf of grantees. As of March of 2015, approximately \$45,000 of the \$500,000 grant had been unspent.

4. Prior to receiving the DVA grant in 2013-14, Vettransfer received a \$150,000 grant in 2011-12 and a \$300,000 grant in 2012-13 from the Wisconsin Economic Development Corporation (WEDC), and a \$2.1 million grant from the U.S. Department of Veterans Affairs' Center for Innovation. GEC also receives some corporate and foundation support for its activities and continues to work with WEDC on identifying candidates for assistance. GEC indicates that since 2012, companies that have completed its training programs account for 110 jobs created or retained, including both the proprietors and employees.

5. As with the 2013-14 grant to Vettransfer, the 2016-17 GEC grant would be mandatory. That is, although GEC would submit information on the expenditure of funds to FWDA, the Authority would have no discretion with respect to the disbursement of the grant. Since one of the functions of FWDA would be to evaluate different economic development strategies and the potential uses of economic development funds to determine the most beneficial uses of those funds, a case could be made that making the grant to GEC mandatory is contrary to Authority's core function. One alternative to the bill's mandatory grant provision would be to authorize (rather than require) FWDA to make a grant of up to \$500,000, based on an evaluation of the effectiveness of GEC's operational model and the impact of the earlier DVA grant. In this case, the Authority could also be authorized to specify the distribution of the GEC's funds between grants and entrepreneur training assistance, and to specify the reporting requirements associated with the grant [Alternative A2].

6. Unlike the 2013-15 DVA grant, which was made from the veterans trust fund (VTF), the bill would provide GPR funds for the grant to GEC. Since GEC provides grants and assistance to Wisconsin veterans, and several GPR-funded state programs would receive funding cuts under the bill, the Committee could decide to fund the GEC grant again from the VTF [Alternative B2]. The use of VTF revenues would increase the size of the projected shortfall in that fund, necessitating a larger transfer from unspent PR balances from the state veterans homes. Additional information on the VTF's projected balances is provided in LFB Issue Paper #701.

7. The Committee could decide that because the state has various programs to provide

assistance to veterans and to small business startups through both DVA and FWDA, that no additional programs are needed to provide the type of assistance that GEC provides. In this case, the Committee could remove the GEC grant requirement and funding from the bill [Alternative A3 and B3].

8. If the funding and grant provisions are deleted, FWDA would retain the authority to make a grant to GEC from base resources. However, the Committee could retain the grant requirement, but delete the funding, which would require FWDA to make the GEC grant from base resources [Alternative A1 and B3]. In 2013-14, WEDC (which would be subsumed in FWDA under the bill) contracted for a total of \$17.2 million in economic development grants.

**ALTERNATIVES**

**A. Global Entrepreneurship Cooperative, Inc. Grant Provisions**

1. Approve the Governor's recommendation to require the Forward Wisconsin Development Authority to provide a grant to Global Entrepreneurship Cooperative, Inc., and establish in the bill the same parameters and reporting requirements for this grant as the 2013-14 grant made by the Department of Veterans Affairs to Vetransfer.

2. Modify the Governor's recommendation by authorizing FWDA to make a grant of up to \$500,000 in 2016-17 to GEC, based on an evaluation of the GEC's operational model and the impact of the 2013-14 DVA grant. Delete all provisions in the bill relating to program parameters and reporting requirements for the grant and instead, authorize FWDA to establish parameters and reporting requirements for this grant.

3. Delete provision.

**B. Grant Funding**

1. Approve the Governor's recommendation to provide \$500,000 GPR in 2016-17 in FWDA's general program operations appropriation for economic development programs for the purpose of making a grant to GEC.

2. Modify the Governor's recommendation by deleting the GPR funding for the grant and instead providing \$500,000 SEG in 2016-17 in a new, one-time, annual appropriation from the veterans trust fund for the purpose of making a grant to GEC.

<b>ALT B2</b>	<b>Change to Bill</b>
GPR	- \$500,000
SEG	<u>500,000</u>
Total	\$0

3. Delete provision.

<b>ALT B3</b>	<b>Change to Bill</b>
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GPR	- \$500,000
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Prepared by: Jon Dyck