WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Budget Summary						FTE Position Summary
Fund	2022-23 Adjusted Base	Governor 2023-24	Governor 2024-25	2023-25 Change Over Base Year Doubled Amount	%	
GPR	$4,550,700	$157,050,700	$42,050,700	$190,000,000	2,087.6%	There are no authorized state positions for the Wisconsin Economic Development Corporation.
SEG	37,000,000	39,500,000	39,500,000	5,000,000	6.8	
TOTAL	$41,550,700	$196,550,700	$81,550,700	$195,000,000	234.7%	

Budget Change Items

1. VENTURE CAPITAL FUND OF FUNDS PROGRAM

GPR	$75,000,000

Governor: Create a continuing appropriation and provide $75,000,000 GPR in 2023-24 and require the Wisconsin Economic Development Corporation (WEDC) to establish and administer a venture capital fund of funds program to invest in venture capital funds that invest in businesses located in Wisconsin. 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 would continuously reinvest its assets, and create an oversight board to conduct any activity required by law or as directed by WEDC.

Require the oversight board to establish investment policies for the fund of funds program, 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 $18,750,000 of the total moneys paid to the investment manager may be invested in any single venture capital fund; and (c) at least 20% of the investments made through the program shall be directed to businesses: (1) located in parts of this state that typically do not receive significant investment from venture capital funds; (2) that are at least 51% owned by one or more members of a racial minority group and whose management and daily business operations are controlled by one or more members of a racial minority group; and/or (3) that are at least 51% owned by one or more women and whose management and daily business operations are controlled by one or more women. Specify that no investment could be made through the program in a lobbying or law firm.

Further, require the oversight board to contract with an investment manager who meets the qualifications established by WEDC. Require that the contract establish the investment manager's compensation, including any management fee. A management fee 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 the Department of Administration, pay monies to the investment manager from the continuing venture capital fund of funds program appropriation.

Require the investment manager to contract with each venture capital fund that would receive funding through the program. Specify that 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 that are headquartered in Wisconsin and have operations that 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 bill would require the investment manager to ensure that, on average, for every $1 a venture capital fund that would be received through the program and invested in such businesses, the venture capital fund invests $2 in that business from sources other than the program.

Specify that 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 investment manager's 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, include: (1) the name and address of the venture capital fund; (2) the amount invested in the venture capital fund through the program; (3) an accounting of any fee the venture capital fund paid to itself or any principal or manager of the venture capital fund; and (4) 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.

Require the investment manager to quarterly submit to the oversight board a report for the preceding quarter, 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. Specify that the oversight board would have to make the reports readily accessible to the public on WEDC's website.

[Bill Sections: 296 and 2566]

2. REESTIMATE WEDC GPR AND SEG APPROPRIATIONS

GPR	- $5,000,000
SEG	5,000,000
Total	$0

Governor: Reduce funding by $2,500,000 annually for WEDC's operations and programs sum sufficient GPR appropriation and increase estimated funding by $2,500,000 annually for WEDC's SEG appropriation from the economic development fund for operations and programs. Maintain base funding for WEDC's brownfield site assessment grants SEG appropriation from the environmental fund. As a result, the Administration estimates current law funding provided for WEDC's existing state appropriations at $41,550,700 all funds in 2023-24 and 2024-25, comprised of: (a) $38,500,000 SEG annually from its all monies received operations and programs SEG appropriation; (b) $2,050,700 GPR annually from its sum sufficient operations and programs GPR appropriation; and (c) $1,000,000 SEG annually for brownfield site assessment grants.

Under current law, the primary source of WEDC's funding is from the segregated economic development fund. The revenue source for the economic development fund is the economic development surcharge imposed upon C corporations and S corporations. In addition, WEDC receives a GPR appropriation that is capped at $16,512,500, annually. Funding is also provided from the environmental fund for brownfield site assessment grants.

3. INCREASE FUNDING FOR WEDC OPERATIONS AND PROGRAMS

GPR	$20,000,000

Governor: Increase expenditure authority under WEDC's GPR sum sufficient operations and programs appropriation by $10,000,000 annually. The GPR sum sufficient appropriation would continue to be limited to no more than $16,512,500 annually.

Under current law, WEDC's GPR appropriation is determined as $41,550,700 annually minus the amounts expended from the economic development fund and the environmental fund. The bill would increase the calculation to for WEDC's GPR operations and programs to $51,550,700 minus the segregated fund expenditures, thereby having the effect of increasing GPR expenditures by $10,000,000 annually. The Administration indicates that the funding would support WEDC's economic development programs.

[Bill Section: 294]

4. ONE-TIME FUNDING FOR ECONOMIC DEVELOPMENT

GPR	$40,000,000

Governor: Specify that, notwithstanding the $16,512,500 annual limit on WEDC's GPR sum sufficient operations and programs appropriation, WEDC may expend in 2023-24 the lesser of: (a) $66,512,500 GPR; and (b) $40,000,000 plus the amount appropriated under the GPR operations and programs sum sufficient. Accounting for the GPR appropriated under other items, the increase would be $40,000,000 GPR in 2023-24. The Administration indicates that the funding would support WEDC's economic development grant programs.

[Bill Section: 9249(1)]

5. TALENT ATTRACTION AND RETENTION INITIATIVES

GPR	$10,000,000

Governor: Provide $5,000,000 annually to WEDC's GPR continuing appropriation for talent attraction and retention initiatives. Under current law, WEDC must use monies deposited in this appropriation to collaborate with state agencies to develop and implement initiatives for the attraction of talent in this state, including by leveraging the existing programs of state agencies for the purposes within the scopes of those existing programs.

Provisions of 2017 Act 318 created this appropriation and provided $6.8 million GPR for WEDC to develop and implement initiatives for the attraction of talent to, and retention of talent in, Wisconsin. The funding in the continuing appropriation was completely expended as of December, 2019. The expenditures promoted and marketed Wisconsin through online advertisements, media placements, newsletters, social media, and organized events.

Provisions of 2021 Act 58 required WEDC to assign $3.0 million for talent attraction initiatives from its existing appropriations for operations and programs during the 2021-23 biennium. The funds supported various talent attraction and retention initiatives, such as: (a) matching funds to help businesses and economic development organizations increase their own workforce marketing investments; (b) creating a media campaign for national and Midwestern talent; and (c) entering into a partnership with the Department of Military Affairs to work with Wisconsin businesses in Army and National Guard personnel recruiting and retention efforts for post-military employment.

In addition to continuing the programs enacted during the 2021-23 biennium, WEDC indicates that the funding under the bill would support additional programs, as determined by the WEDC Board. According to the Administration, this would include items such as the following: (1) collaborating with the Department of Tourism to attract high-profile events to Wisconsin; (2) creating pilot initiatives with Wisconsin's colleges and universities aimed at retaining graduates; (3) marketing efforts; (4) creating concierge programs that help new hires who move to a community develop connections and ties to their area; and (5) providing incentives to businesses and communities to invest in housing, childcare, and other assets that help communities effectively attract and retain workers.

6. MAIN STREET BOUNCEBACK GRANT PROGRAM

GPR	$50,000,000

Governor: Create an annual appropriation and provide $25,000,000 GPR annually to award grants under the Main Street Bounceback program to provide assistance to businesses opening a new location or expanding operations in a vacant commercial space. Specify that WEDC may not award a grant to a nonprofit organization. Require WEDC to establish eligibility requirements and other policies and procedures to administer the program that are substantially similar to the eligibility requirements and policies and procedures in effect on June 30, 2023, for the Wisconsin Tomorrow Main Street Bounceback Grant program.

Currently under this program, WEDC contracts with approved entities to distribute and administer grants in their respective geographic areas of the state. Grants are supported for the 2021-23 biennium with $100 million of federal funding under the American Rescue Plan Act (ARPA). Grants made by entities to businesses assist with the costs associated with leases, mortgages, operational expenses, and other business costs related to the newly-opened location. Each approved entity receives $10,000 upon initial award and an additional 2.5% of the granted amount for program administration. Grant recipients are required to submit semi-annual performance reports documenting the businesses assisted, as well as any other contract deliverable.

Under the current program, funding is available to for-profit businesses (and nonprofit organizations) that: (a) are located in a region where approved entities have received an allocation; and (b) certify that a business has not or will not vacate a commercial space in Wisconsin. The following businesses are ineligible: (1) businesses that are part of a national or regional chain, unless the business is an independently owned and operated franchise; (2) dead storage (storage of seldom used items for indefinite periods of time); (3) governmental units (except for tribal enterprises/corporations); (4) home-based businesses, unless the business unit is moving into a vacant commercial space to support functions of the business; (5) landlords leasing space for residential use, unless the business unit of the landlord is moving into a vacant commercial space to support functions of the business; (6) real estate investment firms, when the real property will be held for investment purposes; (7) businesses engaged in any illegal activity under federal, state, or local law; and (8) businesses locating in a space of less than 400 square feet.

Note that the foregoing policies and procedures for the Wisconsin Tomorrow Main Street Bounceback grant program may differ to the policies and procedures that will be in effect on June 30, 2023.

[Bill Sections: 295 and 2565]

7. FUNDING FOR COOPERATIVE DEVELOPMENT

Governor: Require WEDC to allocate at least $500,000 in 2023-24 from its GPR and SEG operations and programs appropriations to assist cooperative development activities in this state, including the performance of feasibility studies and other technical assistance and implementation efforts.

[Bill Section: 9149(2)]

8. DATA SHARING WITH DEPARTMENT OF REVENUE

Governor: Permit the Chief Executive Officer and employees of WEDC to examine tax information, including returns, certain claims, schedules, exhibits, writings, and audit reports, pursuant to an agreement with DOR and to the extent necessary to administer economic development programs.

[Bill Sections: 1529 and 1531]

9. UNASSIGNED FUND BALANCE

Governor: Repeal the requirement for the WEDC Board of Directors to establish a target unassigned balance on June 30 of each fiscal year to an amount equal to or less than one-sixth WEDC's total administrative expenditures for that fiscal year.

Under current law, the Board must establish policies and procedures for maintaining and expending any unassigned balance: (a) consistent with best practices recommended by the Government Finance Officers Association (GFOA); and (b) which set the described target balance of unassigned funds that would be repealed under the bill. The Administration indicates that the target balance requirement is unnecessary because the GFOA currently recommends the practice of keeping a two-month balance as the minimum amount, rather than a target maximum amount.

[Bill Sections: 2562 thru 2564]

10. TAX CREDIT MODIFICATIONS

Governor: Make a number of modifications to tax credit programs that are administered, in part, by WEDC, which are described in "General Fund Taxes -- Refundable Tax Credits and Other Payments.