



WISCONSIN LEGISLATURE

P. O. Box 7882 Madison, WI 53707-7882

October 30, 2012

Reed Hall, Interim Secretary and CEO
Wisconsin Economic Development Corporation
201 W. Washington Avenue
Madison, WI 53703

Dear Secretary and CEO Hall:

In a public hearing on October 17, the Joint Legislative Audit Committee brought to light some major concerns with the Wisconsin Economic Development Corporation (WEDC). We would like to share the concerns expressed by the committee and ask you to seek corrective action by WEDC. The public must know that this entity is working for them or we risk losing support for these essential economic development programs. We need a structure that allows for Wisconsin values of clean, honest and open government.

The public-private entity you now manage was hastily created in January 2011 by Governor Walker to replace the Wisconsin Department of Commerce (DOC). When the UW Hospital and Clinics were restructured by the Board of Regents from a full state program to an authority, the UW had very detailed implementation plans. While Democratic legislators offered extensive suggestions to improve WEDC, most of these protections and safeguards were rejected by Governor Walker and his fellow Republicans. We repeatedly recommended that WEDC have a business and transition plan, but in their rush to dissolve a public agency, no such plan was recommended.

WEDC is currently tasked with administering many of the state's economic development programs, including grants, loans, bonding authorization and tax incentives. Although it has been given great authority over our tax dollars, it lacks the necessary accountability and transparency measures that should accompany such obligation.

As elected officials, we share the responsibility for ensuring taxpayer dollars are properly safeguarded and wisely invested. Below is a list of just some of the problems that occurred within WEDC, prior to your appointment, as a result of defective policies and lax procedures employed by the public-private entity:

- June – During the bidding process for a statewide computer system, the Wisconsin Department of Administration (DOA) found out that WEDC pre-empted the process by making a “soft offer” for tax credits to a business. Upon discovery, DOA had to suspend the bidding process and WEDC had to rescind the tax credit offer as it violated what should be a fair and competitive process.
- July – The Milwaukee Journal Sentinel reported that WEDC was projected to spend \$14 million more than it was allotted, creating a deficit in the agency.
- August – The U.S. Department of Housing and Urban Development criticized WEDC for not following federal laws and state policies, when it gave out \$9.6 million in grants. The situation intensified as WEDC's board and the public were not told about the condemning letter causing one of the board members to threaten resignation.
- September – After the Governor appointed his political aide Ryan Murray, a Republican political operative with no private-sector or economic development experience, as Deputy Secretary and COO, WEDC's CEO and Secretary Paul Jadin announced his resignation.
- October – The media reported, following a Joint Legislative Audit Committee hearing, that WEDC had lost track of \$69.3 million in loans, at least \$9 million of which were overdue. Because of the hasty transformation from DOC to WEDC, no one was assigned to tracking this huge loan portfolio.

Currently, WEDC is being audited by the Legislative Audit Bureau and an external auditor retained by WEDC, Schenk. It was in preparing documents for the external auditor that the \$69.3 million in non-tracked loans was discovered. At the WEDC board meeting Friday, the COO said he expected that these two audits would uncover additional problems at the agency.

The Joint Legislative Audit Committee intends to craft legislation addressing some of these problems and we fully expect a number of legislative initiatives will be introduced after the audits. But Wisconsin taxpayers cannot afford to wait until the next legislative session begins to address the many shortfalls that have become apparent within WEDC and in the meantime we would like you to consider the following suggestions:

- The search for the next CEO should prioritize economic development experience in addition to private sector background. The problems with the bid process, HUD CDBG programs, the loan portfolio and the revolving loan funds all stem from an unfamiliarity with public program requirements. Local economic development agencies should also be consulted during this search since they are on the ground implementing WEDC programs.
- Set specific benchmarks for participants of economic development programs. This includes tracking the wage rate and number of jobs created or retained by businesses, local governments or other organizations receiving WEDC grants, loans or tax incentives. Make this information easily available on the Web site.
- Track to what degree each job creation or retention program or tax policy is creating jobs in the most economically distressed areas of the state to monitor to what degree family-supporting jobs are being created in the areas most in need.
- Remodel the existing Web site used to track Wisconsin's economic programs. The Web site needs to be interactive, easy-to-find and made prominent on the home page. It should include frequent updates and be easy for any Wisconsinite to understand by creating a format that makes sense. This will allow taxpayers to see how their dollars are being spent and if the investments being made are wise.
- Be immediately forthcoming with a full accounting of past due loans and any other findings on the loan program.
- Share the results of the internal Schenk audit with the board and public as soon it is completed.
- Provide updates to WEDC board members in a timely manner on issues such as the HUD CDBG program, the overlooked \$69.3 million in loans, the Revolving Loan Funds, etc.

The problems that have plagued WEDC since its inception—instability, lack of oversight and accountability, and putting partisanship before economic development—go against the reason we created WEDC in the first place. We hope you consider the suggestions proposed in this letter.

Thank you for your time and consideration. We look forward to working with you to improve the agency on behalf of Wisconsin's taxpayers.

Respectfully Submitted By,



Sen. Chris Larson
7th Senate District



Rep. Peter Barca
64th Assembly District



Rep. Andy Jorgensen
37th Assembly District



Rep. Jon Richards
19th Assembly District



Sen. Spencer Coggs
6th Senate District



Sen. Jon Erpenbach
27th Senate District

Sen. Dave Hansen
30th Senate District

Sen. John Lehman
21st Senate District

Sen. Mark Miller
16th Senate District

Sen. Fred Risser
26th Senate District

Sen. Robert Wirch
22nd Senate District

Rep. Terese Berceau
76th Assembly District

Rep. Penny Bernard Schaber
57th Assembly District

Rep. Janet Bewley
74th Assembly District

Rep. Fred Clark
42nd Assembly District

Rep. Tamara Grigsby
18th Assembly District

Rep. Gary Hebl
46th Assembly District

Rep. Gordon Hintz
54th Assembly District

Rep. Brett Hulsey
77th Assembly District

Rep. Cory Mason
62nd Assembly District

Rep. Louis Molepske
71st Assembly District

Rep. Sandy Pasch
22nd Assembly District

Rep. Sondy Pope-Roberts
79th Assembly District

Rep. Janis Ringhand
80th Assembly District

Rep. Kelda Roys
81st Assembly District

Rep. Christine Sinicki
20th Assembly District

Rep. Chris Taylor
48th Assembly District

Rep. Robert Turner
61st Assembly District

Rep. Amy Sue Vruwink
70th Assembly District

Rep. Josh Zepnick
9th Assembly District