



# JULIE LASSA

## STATE SENATOR

July 23, 2012

Senator Lena Taylor  
Representative Robin Vos  
Co-chairpersons  
Joint Legislative Committee on Finance  
State Capitol  
Madison, WI 53707-7869

Dear Co-chairpersons,

You have before you a 14-day passive review request from the Wisconsin Economic Development Corporation pursuant to WI Stats. § 238.303 which requires the corporation to submit its plan to the Committee for the allocation of \$25 million in tax credits authorized by the Legislature in 2011 Wisconsin Act 4. I have reviewed this document, and do not feel that it meets the intent of the Legislature in requiring the report. Therefore, I respectfully request that the Committee hold a public hearing on the WEDC plan.

While s. 238.303 (1) (am) does not specify any required contents of the plan WEDC is required to submit to the Committee, I think it is clear that the Legislature intended something far more detailed than the document the corporation has submitted. The letter talks about ends and objectives (which are already stated in statutes), but nothing about how they will be achieved, and thus isn't actually a plan. There are no "action steps". There are no procedures or criteria for objective analysis of applications for certification, nor are there timelines for achieving goals. Instead, the letter is mostly a recitation of what has happened in the past and a statement that the credits will be allocated "in a manner consistent with current practices." Those "current practices" are not detailed.

This is especially distressing in that, as a WEDC board member, I am aware that such details exist. Many of them are included in the FY 2012 Performance Plan the board approved on June 28. The absence of actual planning details in the WEDC passive review request suggests, at minimum, a lack of sufficient respect for the responsibility of the Committee to protect the interests of tax payers by ensuring the efficient and effective use of tax dollars. To facilitate the legislative oversight that the Legislature clearly intended in creating WEDC, the Committee must receive a much more robust indication of WEDC's plans for the use of these tax credits.

The plan should at least set forth minimum requirements that are tied to the statutory requirements for certifying businesses as eligible for credits. It should also explain the process by which a business can apply for credits. Finally, the plan should very specifically address how WEDC will ensure it will not repeat the mistake of offering a credit to a

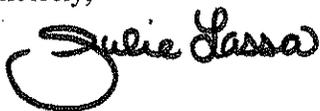
business that is competing for a state contract, thereby creating the appearance of a conflict of interest in the state procurement process and potentially undermining good-paying Wisconsin jobs.

A public hearing on the plan would be an opportunity to ask some very specific questions regarding WEDC's intended use of these tax credits.

1. How does the plan intend to fulfill the statutory requirement to verify the business has met its contractual obligations to engage in business expansion activities prior to receiving tax credits?
2. How does the plan intend to address the variety of the eligible activities for which a person may be certified to receive tax credits? Some of these activities do not appear to be addressed in the plan, for example employee training projects and projects related to locating or retaining corporate headquarters in the state.
3. How will contracts hold recipients accountable for meeting outcome measures? What outcome measures will be used, how will outcomes be measured, will there be timelines by which outcomes must be met, and will there be penalties for failing to reach expected outcomes in a timely manner and, if so, what are the penalties? What does it mean that contracts will "specify the corresponding benefits"?
4. What does it mean to "place a premium on" job creation and significant capital investment? What will be considered "significant"? How will a "quality" job be defined for purposes of giving "increased scrutiny and greater weight in establishing tax credit awards"? How will wage levels be factored in?
5. In addition to manufacturing, what other sectors will be a focus of the program?
6. What specific steps will the regional account managers take to "ensure that economic development tax credits are available anywhere there is demonstrated need for them"? How will uniformity in the treatment of applications be assured across the regions?

In creating WEDC, the Legislature gave this quasi-private organization wide latitude in the use of both tax dollars and tax credits. To prevent the kinds of problems that this model has encountered in other states, it is essential that the Legislature employ those opportunities it does have to exercise its responsibility to oversee these public resources, and that we insist on receiving the detailed information we require to perform that duty. I do not believe the Committee can fulfill its responsibilities with the report WEDC has submitted, and therefore request that the Joint Committee on Finance hold a hearing on this report.

Sincerely,



JULIE LASSA  
State Senator  
24<sup>th</sup> Senate District