

## DEMOCRATIC MEMBERS

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## JOINT COMMITTEE ON FINANCE

March 12, 2015

Secretary Reed Hall  
Wisconsin Economic Development Authority  
201 W Washington Ave, 6<sup>th</sup> floor  
Madison, WI 53703

Secretary Hall,

Thank you for taking the time to answer questions before the Joint Committee on Finance (JCF) last week. We have concerns regarding the merger of the Wisconsin Economic Development Corporation (WEDC) and the Wisconsin Housing and Economic Development Authority (WHEDA). We also have concerns regarding the function of WEDC in its current form and under the Forward Development Authority as detailed in Governor Walker's budget.

Although the issue of past WEDC mistakes in reporting was brought up at the JCF hearing last week, WEDC did not disclose information reported in the *Milwaukee Journal Sentinel* on March 9<sup>th</sup> regarding the failure of the agency to follow up on past due notices for companies that had failed to report usage of taxpayer funded loans and grants. The last round of past due notices were sent in January of 2014. Follow-up only began when the error was discovered in December of that year, eleven months later. The value of the loans and grants that should have been tracked was \$43.3 million.

1. What internal checks failed in the current management process and what plans have been put in place so the reporting follow-up does not continue to fail?
2. Why was the WEDC Board not made aware of the follow-up failures immediately?
3. What is the policy of reporting to the WEDC Board of significant problems within the agency?

As expressed at the JCF hearing, it is of great concern that the budget eliminates the Legislative Audit Bureau (LAB) annual financial audit of WEDC and Forward Wisconsin. The Legislative Audit Bureau is beholden only to the taxpayers and their analysis of state agencies and authorities is held in the highest regard. In fact a LAB audit prompted several changes to Wisconsin law relating to WEDC in the not so distant past.

4. Did the WEDC Board of Directors recommend to Governor Walker a moratorium of LAB financial audits? Or was that the Governor's plan for the agency?
5. Why should a government authority that receives and expends state taxpayer money be exempt from state audits by the LAB when no other agency or authority is?

The governance of the Forward Wisconsin Development Corporation was an item of significant discussion as the meeting last week. We share the concerns of several of our Republican colleagues that removal of legislative appointments to the governing board of any authority is a poor choice for accountability to taxpayers and the Legislature. WEDC, WHEDA and Forward Wisconsin will never be a private company as long as they

receive public funds to operate and allocate. Governor Walker specifically requested this change according to Secretary Ross, however we feel removal of legislative representation on the governing board is unacceptable.

We are partners; state agencies and the Joint Committee on Finance. Once every two years we work together to recommend and pass a state budget. That system exists regardless of who sits in East wing first floor office or who sits on the JCF. Governor Walker's proposal to allow Forward Wisconsin to create a foundation arm without the input and accountability of a JCF review is stunning. We formally object to the creation of a "Foundation arm" without approval and accountability to the state's budget committee.

Growing the economy for our traditionally under-represented groups should be a priority for our state government.

6. What policies will be in place to ensure that minority and women owned businesses receive fair access to funds?
7. What policies will be in place to ensure low income individuals, veterans, and underserved communities will continue to be a priority for the new agency, as WHEDA has shown with their housing programs in the past?

Another item of concern, the Governor proposes changes to the qualification process that will allow WEDC to certify businesses as eligible for tax credit even if they move out of Wisconsin.

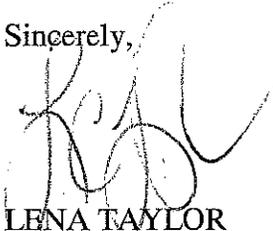
8. Isn't it the goal of angel and early stage tax credits for investment in Wisconsin businesses to keep those businesses in Wisconsin?
9. We want to grow early stage businesses and have them stay in Wisconsin. Why should an investor be able to keep a tax credit if a business moves to Iowa? This partnership for Wisconsin should be maintained as is.

The last item of concern at this time is the exemptions to Wisconsin open records laws given to WEDC and the Forward Wisconsin Development Corporation. Current WHEDA rules apply to Forward Wisconsin with the additional closure of the "In Force" network records. Homeowners borrowing money from WHEDA need more personal identification privacy protection from Wisconsin's sunshine laws than businesses that receive tax credits, loans and grants. Carte blanche exemptions from Wisconsin Open Records laws are not needed to protect personally identifiable information or financial information of a person. Those protections are already outlined in state law. Under the current balancing test WEDC or WHEDA can at any time refuse to disclose information requested under Wisconsin's open records law.

10. Is there a specific problem or breach of information that this change is trying to address?
11. WEDC currently has an exemption to Wisconsin Open Records law for proprietary information and current law redaction and balancing test powers. What more can be needed to protect information held by WEDC?

Once again thank you for taking the time to appear before the Joint Committee on Finance and for your diligent attention to this letter and our concerns. In our efforts as members of the Joint Committee on Finance to work towards investing and growing our Wisconsin rather than cutting and borrowing we see the value of smart and accountable investments in economic development.

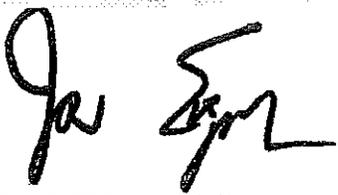
Sincerely,



LENA TAYLOR  
State Senator  
4<sup>th</sup> District



CHRIS TAYLOR  
State Representative  
76<sup>th</sup> District



JON ERPENBACH  
State Senator  
27<sup>th</sup> District



GORDON HINTZ  
State Representative  
54<sup>th</sup> District

cc Governor Scott Walker, Executive Director Wyman Winston, Senator Alberta Daring, Representative John Nygren