



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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DATE: February 5, 2004

TO: Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee

FROM: Janice Mueller *Janice Mueller*
State Auditor

SUBJECT: Proposed Audit of the State's Economic Development Programs—Background
Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering a request from Senator Carol Roessler and Representative Suzanne Jeskewitz for an audit of the State's economic development programs. Currently, a number of state agencies operate a variety of programs and activities to support businesses to contribute to Wisconsin's economic well-being.

Most of the State's economic development programs, especially those providing direct financial assistance, are operated by the Department of Commerce. The Department's fiscal year 2003-04 budget for economic and community development activities is \$63.4 million, including \$10.5 million in general purpose revenue. The majority is disbursed in the form of grants and loans to businesses and to local units of government to fund economic development activities.

In addition to Department of Commerce programs, business assistance programs and activities, including marketing and technical assistance, promotional activities and other types of support, are also operated by the Department of Agriculture, Trade and Consumer Protection; the Department of Natural Resources; the Department of Tourism; the University of Wisconsin System, including the University of Wisconsin-Extension; the Wisconsin Technical College System; the Wisconsin Housing and Economic Development Authority; and Forward Wisconsin. In addition, the State of Wisconsin Investment Board has committed to efforts to make investment funds available to Wisconsin firms, including venture capital investments in the biotechnology area.

The State's economic development activities can be grouped into several categories. Some programs provide direct financial assistance through grants and loans to businesses. Others, such as the development zone programs, provide tax credits to companies within the zones. Other programs, such as the Investment Board's efforts, and Wisconsin's Certified Capital Companies program, attempt to make financing available for investment in Wisconsin companies. Some financial assistance programs, such as the State's Community Development Block Grant program, provides funds to local units of government for the purpose of economic development.

In conjunction with direct and indirect financial assistance programs, the State provides other forms of assistance to businesses with the goal of improving economic development. For example, the Department of Tourism provides promotional advertising for Wisconsin's tourism industry. In addition, programs are available in a number of state agencies and the State's higher education

systems to provide a broad array of business support activities, which range from business plan development, to marketing assistance and information, to technical support and technology transfer assistance.

An audit of the State's economic development programs could include an inventory of all programs that would:

- identify all programs by type and funding source;
- identify the types of businesses that have received financial assistance;
- review information available on job creation or other data on economic expansion;
- analyze the geographic distribution of financial assistance throughout the State;
- review a sample of loans and grants to determine if statutory requirements for the programs were followed; and
- review information available on economic development programs in other midwestern states.

If you have any questions regarding this request, please contact me.

JM/DB/bm

cc: Senator Robert Cowles
Senator Alberta Darling
Senator Jeffrey Plale
Senator Julie Lassa

Representative Samantha Kerkman
Representative Dean Kaufert
Representative David Cullen
Representative Mark Pocan

Michael Armiak, President
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State of Wisconsin Investment Board

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Cory L. Nettles, Secretary
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Scott Hassett, Secretary
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