



October 31, 2019

Senator Rob Cowles
118 South – State Capitol
Madison WI 53707

Representative Samantha Kerkman
315 North – State Capitol
Madison, WI 53707

Dear Senator Cowles and Representative Kerkman:

The Legislative Audit Bureau's (LAB) Report 19-6 recommended the Wisconsin Economic Development Corporation (WEDC) submit to the Joint Legislative Audit Committee by October 31, 2019, a report on WEDC's efforts to implement each of LAB's recommendations.

LAB issued its report on May 10, 2019, and on May 28th, WEDC's Audit Committee was convened to review and discuss each of LAB's 10 recommendations. At that meeting the Audit Committee endorsed WEDC's process for addressing each of the recommendations. On October 17, 2019, the Audit Committee unanimously approved the attached plan which was then forwarded to, and approved by, WEDC's Board of Directors on October 22, 2019.

The information attached for your review also include the following supporting materials:

- Semiannual Loan Portfolio Report for the period ending June 20, 2019;
- Final status report on results of 2016 tax credit review project;
- FY17 independent auditor's verification report; and
- Highlights of two recent program evaluations conducted by UW-Whitewater's Fiscal and Economic Research Center.

We appreciate the opportunity to respond to LAB's Report 19-6. Continuous improvement is incorporated into all areas of WEDC's operations, and LAB's recommendations provide valuable feedback to inform our efforts.

If you require any additional information, please feel free to contact me.

Sincerely,

Missy Hughes
Secretary and CEO

cc: Joint Committee on Finance Chairs

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LAB Audit 19-6 (May 2019) Recommendations and WEDC Responses

LAB Recommendation #	Page #	LAB Recommendation	WEDC Response
Program Administration			
1	37	<p>We recommend the Wisconsin Economic Development Corporation:</p> <ul style="list-style-type: none"> *beginning on July 1, 2019, and every six months thereafter, determine the remaining balance and the total amount of past-due repayments for all loans 90 days or more past due; *determine the remaining balance for all of these loans that were amended to defer repayments, written off, or forgiven from July 2019 through December 2019, and then during each six-month period thereafter; *determine the remaining balance for all of these loans that were no longer 90 days or more past due during each six-month period because the recipients made loan repayments; *determine the payment delinquency rate and the principal delinquency rate on the first and last day of each six month period; and *report this information to the Joint Legislative Audit Committee by February 3, 2020, for the six-month period from July 2019 through December 2019, and then report this information every six months thereafter. 	<p>LAB's recommendation in both their 2015 (15-3) and 2017 (17-9) reports was to have WEDC provide this information to JLAC for only the first two six-month periods subsequent to their audit. WEDC complied, but also voluntarily continued to provide JLAC this information after LAB's recommended dates.</p> <p>Since WEDC continued to provide this information, WEDC suggested and LAB agreed that WEDC will continue to provide JLAC the report semi-annually unless instructed otherwise by JLAC, with the addition of one change. The semi-annual period ending June 30, 2019, WEDC will report accrued interest (to arrive at a "remaining balance") in addition to principal balance (which is what has been provided up until this point).</p> <p>Since July 2013, we have provided to the Board of Directors a Quarterly Credit & Risk Report. In addition to a historical trends analysis, the Report currently includes the following information:</p> <ul style="list-style-type: none"> - past due loans, - performance-based loans forgiven, - charged off loans, - tax credit revocations, - overdue performance reports, - overdue schedules of expenditures, - new awards originated, and
2	39	<p>We recommend the Wisconsin Economic Development Corporation:</p> <ul style="list-style-type: none"> *consistently comply with statutes when awarding tax credits under the Development Opportunity Zone program, and *report to the Joint Legislative Audit Committee by October 31, 2019, on its efforts to comply with this recommendation. 	<p>The Development Opportunity Zone (DOZ) program requires that WEDC deduct any Wisconsin Works subsidies paid for a position ("WW Subsidiaries") from the DOZ tax credits amounts for that position (per statute, recipients can receive up to \$6,000 per full-time job not filled by a member of the targeted population and \$8,000 per full-time job that is filled by a member of the targeted population).</p> <p>Historically, and recognizing that individuals qualify for WW Subsidies based on income as compared to the poverty line, WEDC underwriting evaluated hourly wages when determining the tax credits per position. The lower the hourly wage for a position, the lower the amount of DOZ tax credits that the company could qualify for as it related to that position regardless of whether the company received WW Subsidies for that position. This approach was more conservative than required by the statute as not all low income individuals qualify for WW Subsidies which requires that the individual meet additional non-financial, income and resource limitation.</p> <p>The last DOZ award was in 2016 and only two DOZ awards remain active with additional reporting requirements. In FY19, and prior to this audit, WEDC updated its DOZ staff review and work instructions to ensure that any new DOZ would directly address the Wisconsin Work subsidies. But WEDC does not expect additional DOZs to be contracted as applicants have expressed a preference for the BTC program based on the program structure (including, but not limited to the refundable nature of BTC credits).</p>

LAB Recommendation #	Page #	LAB Recommendation	WEDC Response
Program Administration			
5	47	<p>We recommend the Wisconsin Economic Development Corporation's governing board:</p> <ul style="list-style-type: none"> *comply with statutes by annually completing a verification effort; *provide the Joint Legislative Audit Committee with information on the actions it took after assessing the results of the FY 2016-17 verification effort; and *report to the Joint Legislative Audit Committee by October 31, 2019, on its efforts to implement these recommendations. 	<p>WEDC acknowledges there is currently a testing backlog as it relates to its annual verification testing, but notes that the FY 2018 audit was in process during LAB's review. WEDC has recently completed testing for the six-month period ending December 31, 2017, and has begun testing for the six-month period ending June 30, 2018. The FY17 results were reviewed by WEDC's Audit Committee and Board of Directors at their respective November 2018 and August 2019 meetings, with specific action plans identified for situations where variances were identified.</p> <p>It should be noted it is anticipated there will continue to be a six-month lag in testing, once the backlog is processed, due to the lag between when a performance report period ends and when the performance report is due WEDC.</p> <p>WEDC will provide JLAC with information on the final actions it took for the awards that were identified as part of the FY2016-17 verification effort, by October 31, 2019.</p>
6	48	<p>We recommend the Wisconsin Economic Development Corporation:</p> <ul style="list-style-type: none"> *systematically review the information it has received from award recipients and secure those documents that contain protected personally identifiable information; and *report to the Joint Legislative Audit Committee by October 31, 2019, on its efforts to implement this recommendation. 	<p>The PII identified in the system was a result of human error rather than a systemic issue. LAB found one document containing PII received after the PII procedure was implemented. The PII procedure specifically address how to handle PII submitted by award recipients or unsecured PII found within any of our systems. WEDC provided targeted training for staff handling client data that potentially contains protected PII.</p> <p>WEDC will continue to review existing procedures and work instructions related to security of protected PII and implement annual training for All-Staff.</p>
Program Results			
7	59	<p>We recommend the Wisconsin Economic Development Corporation:</p> <ul style="list-style-type: none"> *establish detailed written procedures indicating that it should close awards according to contractual provisions; *consistently follow these written procedures when closing awards; and *report to the Joint Legislative Audit Committee by October 31, 2019, on its efforts to implement these recommendations. 	<p>LAB's report indicated, "WEDC established written procedures for closing awards, but these were not sufficiently detailed to ensure that WEDC consistently closes awards according to contract provisions." To support its position, LAB contends: (1) WEDC could have revoked [i.e. required repayment of] \$414,000 in previously awarded tax credits (Page 57) for 5 tax credit awards, or (2) WEDC could have required loan recipients to repay \$4.0 million (Page 58) for 7 performance-based loans.</p> <p>WEDC's contracts allow for flexibility in its administration. WEDC did have written procedures that required WEDC to comply with its contractual provision and these requirements were followed in closing the awards. But substantive objections to WEDC's procedures raised by LAB include:</p> <p>(1) WEDC reviewed the maintenance requirement at the end of the maintenance period rather than requiring repayment of tax credits if job levels fluctuate during the life of the contract as suggested by the LAB. (see the ETC on page 57).</p> <p>(2) WEDC calculated loan forgiveness based on a pro-rata share of jobs created, instead of an "all or nothing" approach identified by LAB in its findings. (See the first bullet on page 58).</p> <p>Management believes that WEDC's administration was consistent with the contract language which authorized WEDC to default the award based on WEDC's fact-specific determination and discretion.</p> <p>To the extent that LAB contends that WEDC's contracts do not align with WEDC's intended administration, WEDC has reviewed and updated our current template contract language, where necessary, to ensure clarity as to WEDC's discretion when enforcing its contract terms.</p>



MEMO

TO: Joint Legislative Audit Committee

FROM: Brian Nowicki, CFO

RE: JLAC Loan Portfolio Report

CC: WEDC Board of Directors

DATE: July 31, 2019

As part of LAB Report 17-9, WEDC was provided the following recommendation.

We recommend WEDC: a) determine the total outstanding loan balance and the total amount of past-due repayments for each loan with repayments 90 days or more past due on July 1, 2017 and January 1, 2018; b) determine the total outstanding loan balance for each of those loans that were amended to defer repayments, written off, or forgiven during each six-month period thereafter; c) determine each of those loans that was no longer 90 days or more past due during each six-month period thereafter because the recipients made loan repayments; d) determine the payment delinquency rate and the principal delinquency rate on July 1, 2017, and six months later and on January 1, 2018 and six months later; and e) report this information to the Joint Legislative Audit Committee by February 1, 2018, for the six month period from July 2017 through December 2017 and by August 1, 2018 for the six month period from January 2018 through June 2018.

As part of LAB Report 19-6, WEDC was provided the following recommendation.

We recommend WEDC: a) beginning on July 1, 2019, and every six months thereafter, determine the remaining balance and the total amount of past-due repayments for all loans 90 days or more past due; b) determine the remaining balance for all of these loans that were amended to defer repayments, written off, or forgiven from July 2019 through December 2019, and then during each six-month period thereafter; c) determine the remaining balance for all of these loans that were no longer 90 days or more past due during each six-month period because the recipients made loan repayments; d) determine the payment delinquency rate and the principal delinquency rate on the first and last day of each six month period; and e) report this information to the Joint Legislative Audit Committee by February 3, 2020, for the six-month period from July 2019 through December 2019, and then report this information every six months thereafter.

Attached is a report which complies with LAB's recommendations for the semi-annual periods ending June 30, 2017, December 31, 2017, June 30, 2018 and December 31, 2018, which have been previously submitted. In addition, WEDC is providing a report for the semi-annual period ending June 30, 2019. Beginning with the June 30, 2019 report, WEDC has added columns for outstanding interest and total remaining balance (i.e. principal plus interest).



d. Loans that have been written off, in full or in part

Loans that have been written off. Loans originated by the Department of Commerce are sent to the Department of Justice for collection proceedings. Collections for loans originated by WEDC are internally managed with the assistance of outside legal counsel.

e. Loan partial payments made on delinquent loans

Loans that have made some form of payment but have not caught up all their payments to remove them from the delinquent loan list. This amount represents the principal and, beginning with the June 30, 2019 table, the accrued interest reduction of those payments.

f. New loans that have become 90 days delinquent

Loans that have become delinquent during the semi-annual period and have remained delinquent through the period end date.

(In cases where a loan had both become delinquent and was subsequently been taken off the delinquent list in the same semi-annual period, the loan will be accounted for as both a new loan that has become delinquent and a loan that has been taken off the delinquent list due to one of the category reasons described above in 2a through 2d.)

g. Interest accrued on delinquent loans in period (beginning with the June 30, 2019 Table)

Total interest on the outstanding delinquent loans during the six-month reporting period.



WEDC Loan Portfolio Delinquency Rates

Date	Portfolio Principal	Payment Delinquency Rate		Principal Delinquency Rate	
		Amount	Percentage	Amount	Percentage
January 1, 2018	\$ 70,321,357	\$ 2,301,760	3.3%	\$ 12,850,090	18.3%
June 30, 2018	54,890,501	3,028,193	5.3%	10,040,676	18.3%
Change	\$ (15,430,856)	\$ 726,433	2.0%	\$ (2,809,414)	0.0%

Reasons for the Change in Loan Delinquency Balance

Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due	Principal Balance	Loans
Delinquent Loans as of January 1, 2018	\$ 12,850,090	33
Loans that have come current or were paid-off in full	\$ (560,988)	(5)
Loans that have been amended	\$ (450,000)	(3)
Loans that have been forgiven, per contract, in full or in part	\$ (1,000,000)	(1)
Loans that have been written off, in full or in part	\$ (4,471,488)	(5)
Loan partial principal payments made on delinquent loans	\$ (94,581)	
New loans that have become >90 days delinquent	\$ 3,767,646	12
Delinquent Loans as of June 30, 2018	\$ 10,040,679	32

WEDC Loan Portfolio Delinquency Rates

Date	Portfolio Principal	Payment Delinquency Rate		Principal Delinquency Rate	
		Amount	Percentage	Amount	Percentage
July 1, 2018	\$ 54,890,501	\$ 3,028,193	5.3%	\$ 10,040,679	18.3%
December 31, 2018	49,220,792	1,820,122	3.6%	6,868,007	14.0%
Change	\$ (5,669,709)	\$ (1,208,071)	(1.7%)	\$ (3,172,672)	(4.3%)

Reasons for the Change in Loan Delinquency Balance

Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due	Principal Balance	Loans
Delinquent Loans as of July 1, 2018	\$ 10,040,679	32
Loans that have come current or were paid-off in full	\$ (732,921)	(5)
Loans that have been amended	\$ (133,722)	(4)
Loans that have been forgiven, per contract, in full or in part	\$ (827,000)	(2)
Loans that have been written off, in full or in part	\$ (3,402,375)	(2)
Loan partial principal payments made on delinquent loans	\$ (91,904)	
New loans that have become >90 days delinquent	\$ 2,015,253	10
Delinquent Loans as of December 31, 2018	\$ 6,868,010	29



MEMO

To: Joint Legislative Audit Committee
From: Brian Nowicki, CFO
CC: WEDC Board of Directors, WEDC Audit Committee
Date: 10/7/19

Re: Final Report and Results of the 2016 Tax Credit Verification Project

Per LAB Report 19-6 recommendation, the following is an explanation of the final result of the 2016 tax credit review and the attached schedule should be viewed in conjunction with this memo.

The primary purpose of the 2016 tax credit review was to ensure that WEDC has verified the appropriate amount of tax credits, with particular focus on the jobs based tax credits. In the first table of the attached schedule, you will note there are 222 awards that were reviewed, with the largest number in the Economic Development Tax Credit ("ETC" - 157 awards) and Jobs Tax Credit ("JTC" - 45) award programs.

Awards not reviewed were (a) those not related to jobs (e.g. capital expenditures and/or job training), (b) those that were fully utilized (e.g. contracts considered to be closed-out), and (c) those where 0% of the credits were utilized (e.g. verifications had not yet been required).

The second table of the attached schedule provides a dollar summary of prior-year variances for the 222 awards that were reviewed. The total variance is an overpayment of \$948,436, with an average overpayment of \$4,272. Approximately 50% of the 222 awards tested had a variance, either positive (i.e. WEDC underpaid) or negative (i.e. WEDC overpaid), to report.

For those awards that were at the end of their contract, WEDC adjusted the amounts as part of the final closeout¹ of the project. If the company had been overpaid, WEDC invoiced the company and required repayment of the excess amount that had not been earned. If the company had been underpaid, WEDC verified the additional amount.

For those awards that were still in their earnings period, WEDC adjusted the variances in the subsequent verifications when possible. The third table of the attached schedule provides a dollar summary of remaining variances after any subsequent tax credit verification has been calculated and used to offset the prior-year variances. The result of this ability to offset is to reduce the total variance from an overpayment of \$948,436 to an underpayment of \$5,045, with

¹ The Final Closeout takes place at the end of the project period and documents WEDC's comprehensive review of the project. The purpose is to confirm contractual compliance and evaluate outcomes of the project.

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Final Status of Outstanding Tax Credit Award Verifications

<u>Award Verification Status</u>					10/4/2019
	<u>ETCs</u>	<u>JTCs</u>	<u>DOZs</u>	<u>EZ</u>	<u>Total</u>
Total Tax Credit Awards	377	85	21	18	501
Less:					
Non-Jobs Related Awards	(88)	(4)	(6)	0	(98)
Fully Utilized Awards	(71)	(3)	(6)	0	(80)
0% Utilized Awards	(61)	(33)	(1)	(6)	(101)
Verifications Required for Awards that may have Variances	157	45	8	12	222
Awards that have Received a First Review	0	0	0	0	0
Awards that have Received a Final Review	(157)	(45)	(8)	(12)	(222)
Remaining Awards to Review	0	0	0	0	0
% of Awards that have been Reviewed to-date	100%	100%	100%	100%	100%
% of Awards that have been Finalized to-date	100%	100%	100%	100%	100%

<u>Award Verification Results: Summary - Prior Year Variances</u>					10/4/2019
	<u>ETCs</u>	<u>JTCs</u>	<u>DOZs</u>	<u>EZ</u>	<u>Total</u>
Number of Awards - Total	157	45	8	12	222
Total Negative Variance	\$ (1,524,614)	\$ (383,871)	\$ (24,000)	\$ (28,847)	\$ (1,961,332)
Total Positive Variance	\$ 591,144	\$ 418,037	\$ 3,715	\$ -	\$ 1,012,896
Net Total Variance	\$ (933,470)	\$ 34,166	\$ (20,285)	\$ (28,847)	\$ (948,436)
Mean Variance (net)	\$ (5,946)	\$ 759	\$ (2,536)	\$ (2,404)	\$ (4,272)
Total Variance Additive [^]	\$ (2,115,758)	\$ (801,908)	\$ (27,715)	\$ (28,847)	\$ (2,974,228)
Mean Variance (additive)	\$ (13,476)	\$ (17,820)	\$ (3,464)	\$ (2,404)	\$ (13,397)

<u>Award Verification Results: Summary - Adjusting/Offsetting for Current Verifications</u>					10/4/2019
	<u>ETCs</u>	<u>JTCs</u>	<u>DOZs</u>	<u>EZ</u>	<u>Total</u>
Number of Awards	157	45	8	12	222
Total Negative Variance	\$ (615,287)	\$ (84,321)	\$ -	\$ (28,847)	\$ (728,455)
Total Positive Variance	\$ 317,948	\$ 415,552	\$ -	\$ -	\$ 733,500
Net Total Variance	\$ (297,339)	\$ 331,231	\$ -	\$ (28,847)	\$ 5,045
Mean Variance (net)	\$ (1,894)	\$ 7,361	\$ -	\$ -	\$ 23
Total Variance Additive [^]	\$ (933,235)	\$ (499,873)	\$ -	\$ (28,847)	\$ (1,461,955)
Mean Variance (additive)	\$ (5,944)	\$ (11,108)	\$ -	\$ (2,404)	\$ (6,585)

[^] Adding the variances together instead of netting them.



August 9, 2019



**Professional Services –
FY2017 Report Addendum for
Verification of Annual Performance
Measurements for WEDC Awards**

Wisconsin Economic Development Corporation

Prepared by:

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OBJECTIVE

The objective of this engagement was to determine whether the exceptions reported on the issued report for the FY 2017 review period had been subsequently remediated with the awardees for Compliance Workbook exceptions and awardee information reflected in WEDC's system for Performance Report exceptions.

SCOPE

The scope of the engagement included the following:

- Awardees with exceptions on the report issued for the FY 2017 review period were reviewed.
- Source information was obtained from the awardee to support their actions taken to remediate the Compliance Workbook exception.
- Assessment of the awardee documentation performed to determine whether remediation of the exceptions was satisfactorily performed.

FY17 REVIEW

Results from the FY17 review noted the following:

RECAP

125 – Awardee Selections – with an associated 46 Compliance Workbooks

79 - No Issues

- 18 Confirmation not required – documentation was previously provided and reviewed to substantiate the Performance Report (e.g., Independent Audit Report)
- 61 Awardee information confirmed Performance Report (and Compliance Workbook where applicable)

4 - Awardee confirmation of information not required and not reselected.

During review procedures, it was determined:

- 2 Awardees paid off the Loan
- 1 Awardee withdrew from the Contract - All tax credits revoked
- 1 Awardee's contract was revoked.

Review Procedures were Performed for the below

3 - No Response / Information Not Provided

- 1 No Response
Awardee (Blue 7 Solutions) did not respond to confirmation requests for information
- 2 Information Not Provided
Awardees (Pratt and Mastermold) did not provide information as requested, which precluded the ability to determine whether source documentation supports information reported.
Awardees did not subsequently provide information. Exception remains

39 - Awardee Reporting Exception

Awardee information provided does not fully support amounts / quantities reported.
Refer to the following pages regarding the remediation results from the review.



SUMMARY OF EXCEPTIONS – FOLLOW-UP

SUMMARY OF EXCEPTIONS					
Award	Award Amount	Program	Awardee Name	INFORMATION	FOLLOW-UP PERFORMED
23212	\$18,000,000	EZ	Milwaukee Electric Tool Corporation	Performance Report Capital Expenditure Amount – Awardee reported \$12,194,321 and provided spreadsheet support totaling \$11,559,321.	Information updated/reflected in the system for the awardee
22333	\$5,500,000	EZ	Trane US Inc.	Compliance Workbook Jobs - 60 employees selected and Awardee support did not x-ref for Six employees for the Compliance attribute: . Residency State Performance Report Capital Expenditure Amount – Awardee reported \$58,452,430 and provided spreadsheet support totaling \$57,449,688.	Awardee provided information for the Attribute – exception cleared Information updated/reflected in the system for the awardee
23404	\$850,000	BTC	Colbert Packaging Corporation	Compliance Workbook Jobs - 10 employees selected and Awardee did not provide support for the Compliance attributes: . Base Hours . Overtime Hours . Hourly Wage (If Applicable) . Period Base Wage . Period Overtime . Employment Start Date . FT/PT status . Residency	In Process - Awardee did not provide supporting documentation and revocation of tax credits initiated.
23349	\$750,000	BTC	Alliance Laundry Systems, LLC	Performance Report Capital Expenditure Amount – Awardee reported \$12,054,497 and provided spreadsheet support totaling \$12,877,935 Compliance Workbook Jobs - 60 employees selected and Awardee did not provide Compliance attribute support for: . Employee ID/Name . Base Hours . Overtime Hours . Hourly Wage (If Applicable) . Period Base Wage . Period Overtime . Employment Start Date . FT/PT status . Residency	Information updated/reflected in the system for the awardee Awardee provided information for Attributes – exception cleared



SUMMARY OF EXCEPTIONS

Award	Award Amount	Program	Awardee Name	INFORMATION	FOLLOW-UP PERFORMED
22673	\$1,000,000	ETC	4imprint, Inc.	Performance Report Jobs - Awardee reported 757 positions and provided support for 827 Compliance Workbook Jobs - 58 employees selected and Awardee support did not cross-reference for Six employees for the Compliance attribute: . Hours Worked	Information updated/reflected in the system for the awardee Awardee provided information for the Attribute – exception cleared
21888	\$990,000	ETC	Crystal Finishing Systems, Inc	Performance Report Capital Expenditure Amount – Awardee reported \$19,583,797 and provided spreadsheet support totaling \$20,674,091	Information updated/reflected in the system for the awardee
21287	\$800,000	ETC	SMC, Ltd.	Performance Report Jobs - Awardee reported 884 positions and provided support for 847	Information updated/reflected in the system for the awardee
23151	\$750,000	ETC	Arclin Surfaces, LLC.	Performance Report Capital Expenditure Selections - sample of forty-five expenditures selected (\$15,359,788). Forty-three expenditures were supported (\$15,054,470) and two expenditures were not supported (\$305,318).	Information updated/reflected in the system for the awardee
22564	\$642,000	ETC	Thermal Spray Technologies, Inc	Performance Report Jobs - Awardee reported 98 positions and provided support for 72. Compliance Workbook Jobs - 10 employees selected and payroll docs provided did not support the Compliance Attribute for: . Hours Worked - 8 employees . Period Wage - 1 employee	Information updated/reflected in the system for the awardee Awardee did not provide sufficient information to support the attributes – exception affirmed
22091	\$2,075,000	JTC	Skyward, Inc.	Compliance Workbook Jobs - 30 employees selected and Awardee support not provided for the thirty for Compliance attribute: . Quarterly Wages - Awardee reported on four month period and not a three month quarterly period. Performance Report Capital Expenditure Selections - sample of 25 expenditures selected (\$34,387,298). Twenty-four expenditures were supported (\$34,354,798) and one expenditure was not fully supported (\$32,500).	Awardee provided information for the Attribute – exception cleared Information updated/reflected in the system for the awardee



SUMMARY OF EXCEPTIONS					
Award	Award Amount	Program	Awardee Name	INFORMATION	FOLLOW-UP PERFORMED
22372	\$570,000	JTC	Rice Lake Weighing Systems	<p>Performance Report Jobs - Awardee reported 454 positions and provided support for 468</p> <p>Performance Report Capital Expenditure Amount - Awardee reported \$9,094,095 and provided spreadsheet support for \$9,013,665. Difference of \$80,430 in Training expenditures</p> <p>Performance Report Capital Expenditure Selections - sample of 35 expenditures selected (\$7,304,345). Thirty-two expenditures were supported. For three expenditures, two were not supported (totaling \$22,082) and one had partial support provided (for \$6,598).</p> <p>Compliance Workbook Jobs - 46 employees selected and payroll docs provided did not support the Compliance Attribute for: . Hourly Rate - it was a Computed rate of earnings/hours.</p>	<p>Information updated/reflected in the system for the awardee</p> <p>Information updated/reflected in the system for the awardee</p> <p>Information updated/reflected in the system for the awardee</p> <p>Awardee provided information for the Attribute – exception cleared</p>
23012	\$1,500,000	BOLF	Monogram Food Solutions, LLC	<p>Performance Report Jobs - Awardee reported 604 positions and provided support for 614 positions.</p> <p>Performance Report Capital Expenditure Selections - sample of 60 expenditures selected (\$5,651,579). Thirty-seven expenditures were supported (\$3,964,114) and twenty-three expenditures were not supported (\$1,615,465).</p>	<p>Information updated/reflected in the system for the awardee</p> <p>Information updated/reflected in the system for the awardee</p>
22142	\$1,000,000	BOLF	Biery Cheese Company	<p>Performance Report Jobs - Awardee reported 88 positions and provided support for 93.</p>	<p>Information updated/reflected in the system for the awardee</p>
22743	\$1,000,000	BOLF	Canadian American Homes	<p>Performance Report Jobs - Awardee reported 14 positions and provided response indicating zero.</p>	<p>Information updated/reflected in the system for the awardee</p>
22625	\$1,000,000	BOLF	Expera Specialty Solutions, LLC	<p>Performance Report Jobs - Awardee reported 445 positions and provided support for 544.</p>	<p>Information updated/reflected in the system for the awardee</p>
21505	\$1,700,000	BREI	Printpack, Inc.	<p>Performance Report Jobs - Awardee reported 300 positions and provided support for 195.</p>	<p>Information updated/reflected in the system for the awardee</p>
1334	\$750,000	BREI	Fi-Med Management, Inc.	<p>Performance Report Jobs - Awardee reported 24 positions and provided support for 28.</p>	<p>Information updated/reflected in the system for the awardee</p>

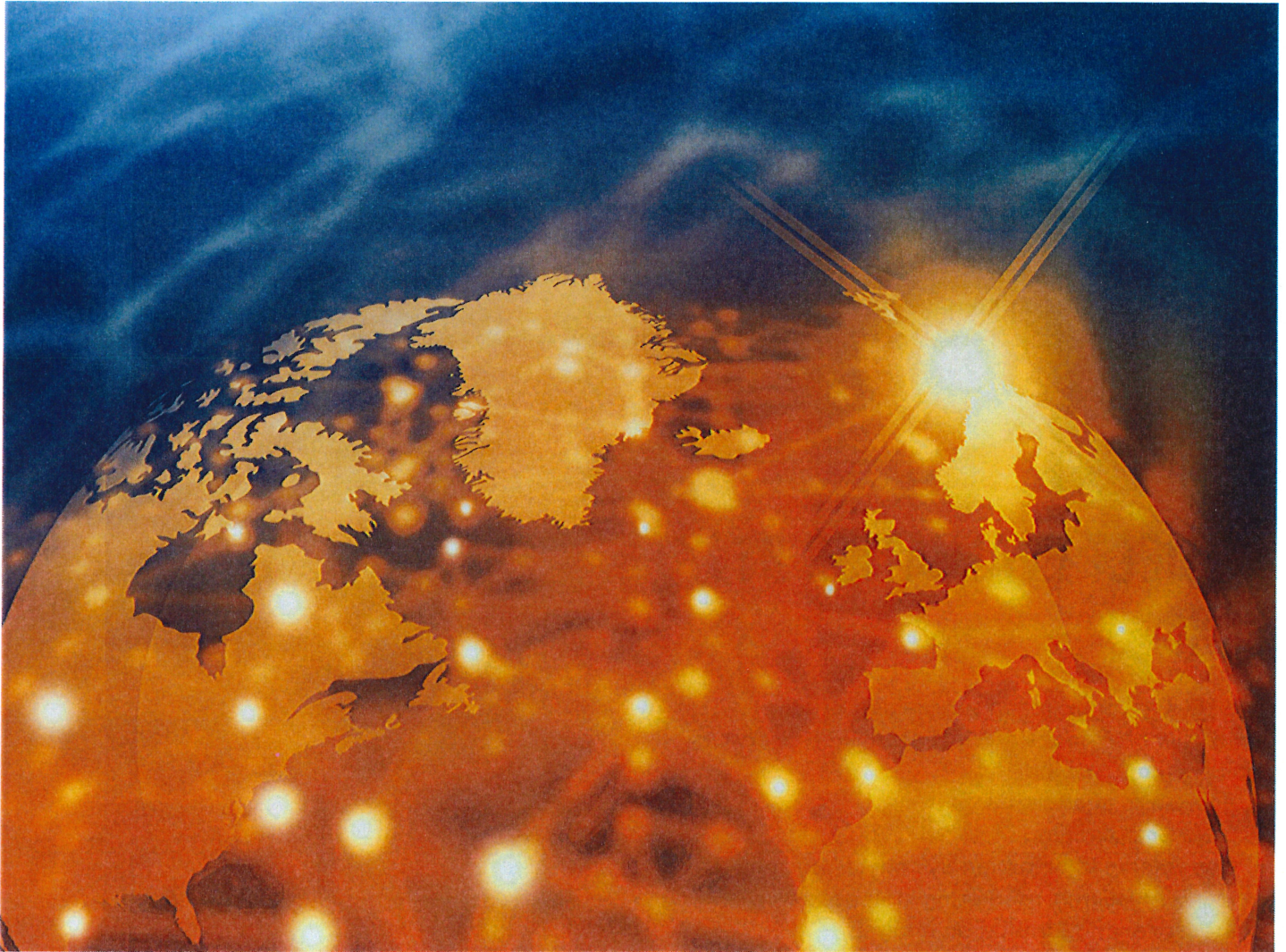


Award	Award Amount	Program	Awardee Name	INFORMATION	FOLLOW-UP PERFORMED
22293	\$500,000	CDI	Green Bay, City of	Performance Report Other Expenditures Amount - Awardee reported \$17,878,680 and provided attorney letter listing the project expenditure support of \$17,724,539	Information updated/reflected in the system for the awardee
20946	\$95,365	FIF	Fusion Integrated Solutions, LLC	Performance Report Other Expenditures Amount - Awardee reported \$190,279, and provided support for \$120,652	Information updated/reflected in the system for the awardee
23304	\$15,000	IMAG-F	VES Environmental Solutions, LLC	Performance Report Other - Awardee reported that grant assisted them in obtaining 2 new contracts valued at \$45,000. Information provided from Awardee indicated they did not have physical contracts other than the signed sales orders, which total to \$41,275.	Information updated/reflected in the system for the awardee
21425	\$38,026	WTG	Neenah Paper, Inc.	Performance Report Training - Awardee reported 50 employees that received training and provided support for 53 employees	Information updated/reflected in the system for the awardee



EXECUTIVE SUMMARY

EVALUATION OF INTERNATIONAL MARKET ACCESS GRANT (IMAG) 2012-2017



Prepared by Choton Basu

Fiscal and Economic Research Center at University of Wisconsin-Whitewater



UNIVERSITY OF WISCONSIN
WHITEWATER

Fiscal and Economic Research Center

METHODOLOGY, DATA COLLECTION & ANALYSIS

Data collection and analysis included survey, analysis of secondary data, focus groups, 1:1 interviews, literature review, examination of existing reports and researching other programs.

KEY FINDINGS

1. IMAG IS A HIGHLY SUCCESSFUL PROGRAM

Grant recipients are extremely satisfied with the program. 100% of them reported that IMAG had directly contributed to their sales in international markets. All of the grant recipients from focus group and surveys plan to reapply for future IMAG funding. Grant recipients had high praise for WEDC staff associated with the IMAG and complementary programs. For example, one of the companies increased their sales from \$50K/year to over \$14 Million/year.

2. IMAG CAN BE IMPROVED IN SPECIFIC AREAS

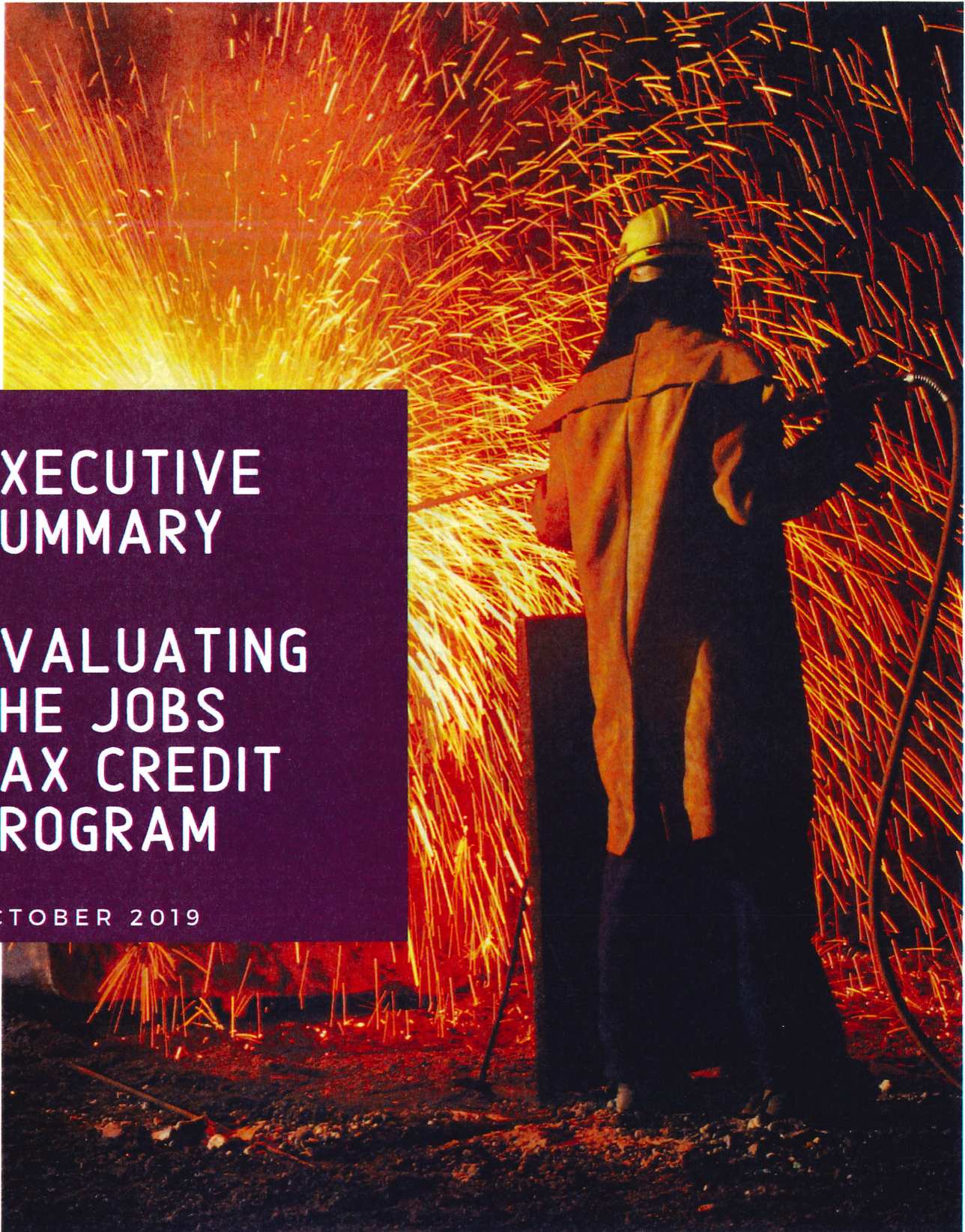
Areas of improvement include - grant awareness, learning curve for first-time applicants, timing of the grant, grant rules associated with expenses incurred before grant approval, role and value of consultants, update grant categories and grant reporting process. Some of these areas require minor adjustments, while others cannot be changed due to state policies. WEDC has already implemented solutions to address some of the items identified by grant recipients.

3. GRANT OUTCOMES AND MEASUREMENTS

There are typically two major outcomes of IMAG grants (a) Market Penetration and (b) Sales to the targeted international market. Both measures tend to be laggards since the process of internationalization in most cases tends to be a longer journey. There was universal agreement among recipients that the grant funding contributed to market penetration and eventually to international sales. Countries reported in the study included Mexico, Vietnam, Canada, Turkey, China, UK, Germany, Ecuador, Hong Kong, France, Columbia, Peru and others. Total sales ranged from \$24,000 to \$3.0 million. Most companies reported that sales have continued though some were negatively impacted due to political instability and changes in trade policies.

4. IMAG FOR THE FUTURE

Respondents felt that the IMAG program can continue to grow by providing greater flexibility with respect to countries, approved expense categories and by grouping the applicants based on previous international experience. For example, the ability to focus on a country multiple times or the ability to switch target countries when opportunities arise should be allowed. Expense categories need to be flexible since unique types of expenses are emerging for companies, particularly in the technology category. Finally, recipients should follow slightly different paths based on previous IMAG and international experience. This will lead to greater efficiency for all parties. This can also enable WEDC to introduce a different approach to grant reporting.



EXECUTIVE SUMMARY

EVALUATING THE JOBS TAX CREDIT PROGRAM

OCTOBER 2019



PROGRAM PROFILE

From 2010 to 2016, the program has allocated up to \$104,389,500 in awards to businesses, and has verified \$59,803,589 of the awards that were given to the businesses in this time period to 86 businesses across Wisconsin. Diagram 1 (below) illustrates the distribution of awards and verified tax credits (from 2010 to 2016), and Diagram 2 (below) illustrates the number of recipients (from 2010 to 2016).

Diagram 1: Jobs Tax Credit Award and Verified Credits

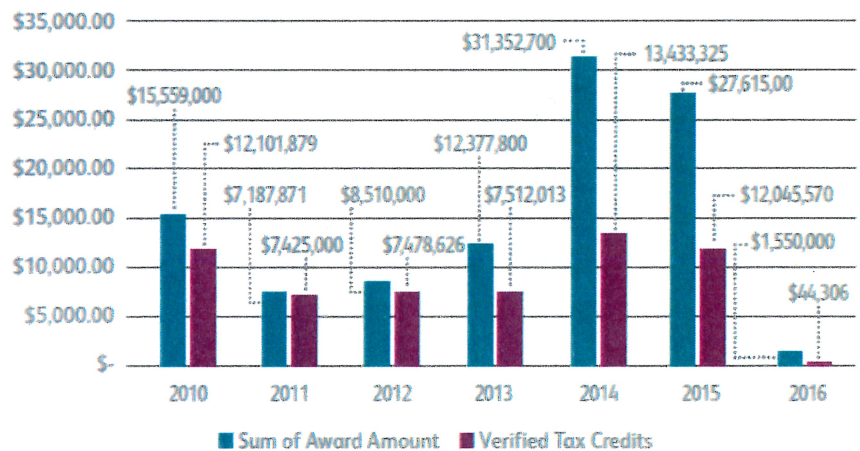
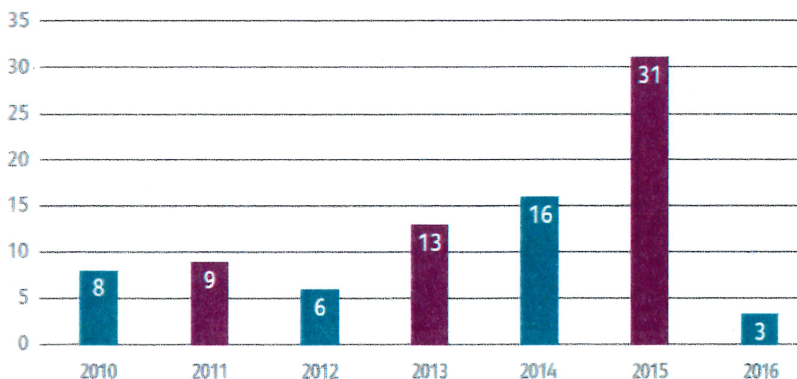
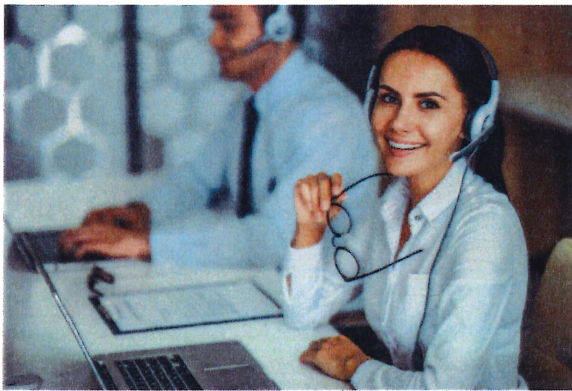


Diagram 2: Number of Award Recipients per Year.



RECOMMENDATIONS

1. Place a budget cap on the total dollar amount intended to be distributed as tax credits. Currently, the WEDC operates under a budget for their allocations, which allows the policy makers to create the most efficient tax policy.
2. Future programs should target specific industries that provide a high job multiplier effect (such as manufacturing). We suggest that industries with a multiplier effect of more than 2.5 should be considered for tax incentives in the future, based on prior research. The JTC program was open to businesses across many industries, thus future programs must be created to target specific industries.
3. Access to the program should not be restricted based on the size of a business. The majority of the firms that belong to the industries mentioned above tend to be larger in size. The WEDC, with the JTC program, did not narrow its applicants based on the size of a business, and we recommend they continue to do so future programs.
4. Recapture provisions are an effective tool of ensuring the success of the program. Businesses must meet certain employment targets to ensure that they avoid penalties. The JTC program had a recapture mechanism. We highly recommend future programs continue utilizing recapture provisions.
5. The economic activity that was measured through the IMPLAN model measures the economic activity within a year. Based on the results of the program, the investment by the state would have been returned within two years of activity via the current levels of new employment generated through the JTC program.



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