



STATE OF WISCONSIN  
**Legislative Audit Bureau**  
NONPARTISAN • INDEPENDENT • ACCURATE

Report 23-11  
August 2023

# Wisconsin Economic Development Corporation



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# Wisconsin Economic Development Corporation



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## **Response**

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From WEDC's Chief Executive Officer



STATE OF WISCONSIN

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# Legislative Audit Bureau

Joe Chrisman  
State Auditor

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August 30, 2023

Senator Eric Wimberger and  
Representative Robert Wittke, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Wimberger and Representative Wittke:

As required by s. 13.94 (1) (dr), Wis. Stats., we have completed a biennial financial audit of the Wisconsin Economic Development Corporation (WEDC) and a program evaluation audit of WEDC's economic development programs.

In fiscal year (FY) 2021-22, WEDC administered 30 economic development programs through which it allocated \$58.0 million in tax credits, awarded \$91.3 million in grants and \$4.8 million in loans, and authorized local governments to issue \$53.4 million in bonds.

We again found that WEDC's written procedures for the Enterprise Zone program do not require it to award program tax credits only for the wages paid to employees for services performed in an enterprise zone in Wisconsin, as is statutorily required. We also found that five grants totaling \$50,000 were made to ineligible recipients through a program supported by supplemental federal funds, and that WEDC did not require eight grant recipients to repay \$64,300 in supplemental federal funds that had been used to cover expenditures that were either incurred outside the contractually specified periods or not verified. We make recommendations for improvements, including to WEDC's written procedures and policies.

WEDC's information indicated that 29,439 economic development awards closed through FY 2021-22, including 338 tax credit and loan awards that contractually required the recipients to create jobs. These recipients created 66.9 percent of the planned number of jobs. We again found WEDC's online data, which indicate the results of its programs, contained inaccuracies. We recommend WEDC develop written policies that require it to revoke tax credits in a timely manner, consistently comply with those policies, and improve how it assesses program results.

In FY 2021-22, federal funds accounted for 61.1 percent of WEDC's \$106.5 million total revenue, and state funds accounted for 39.0 percent. In the quarter ending on June 30, 2022, WEDC's total available resources were \$69.7 million. WEDC established contractual or other obligations for \$57.0 million of the \$69.7 million, but it had not done so for the remaining \$13.0 million.

We appreciate the courtesy and cooperation extended to us by WEDC. A response from WEDC's chief executive officer follows the appendices.

Respectfully submitted,

Joe Chrisman  
State Auditor

JC/DS/ss





## Introduction

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***WEDC has been Wisconsin's lead economic development organization since FY 2011-12.***

The Wisconsin Economic Development Corporation (WEDC) has been Wisconsin's lead economic development organization since fiscal year (FY) 2011-12. Section 238.02 (1), Wis. Stats., provides that WEDC is governed by an 18-member board, including:

- 6 members nominated by the Governor and appointed with the advice and consent of the Senate;
- 4 members appointed by the Assembly speaker;
- 4 members appointed by the Senate majority leader;
- 1 member appointed by the minority leader of the Assembly;
- 1 member appointed by the minority leader of the Senate; and
- the secretaries of the Department of Administration (DOA) and the Department of Revenue (DOR), who serve as nonvoting members.

Each board member nominated by the Governor serves at the pleasure of the Governor; and each board member appointed by the Assembly speaker, Senate majority leader, and the minority leaders of the Assembly and the Senate serve for four-year terms. Statutes require the governing board to elect a chairperson from among its voting members who are not legislators.

## 4 › INTRODUCTION

WEDC's governing board is statutorily authorized to conduct a number of activities, including:

- adopting, amending, and repealing bylaws, policies, and procedures;
- establishing WEDC's annual budget and monitoring WEDC's fiscal management;
- employing any officers, agents, and employees that WEDC may require and determining their qualifications, duties, and compensation;
- accepting gifts, grants, loans, and other contributions from private or public sources;
- executing contracts and other instruments required for WEDC's operations;
- incurring debt and issuing notes, bonds, and any other obligations;
- making loans and providing grants; and
- entering into agreements regarding compensation, space, and other administrative matters as are necessary to operate offices in other states and foreign countries, subject to approval by the secretary of DOA.

***The Governor is statutorily required to appoint WEDC's chief executive officer, with the advice and consent of the Senate.***

The Governor is statutorily required to appoint WEDC's chief executive officer, with the advice and consent of the Senate. WEDC's governing board is statutorily authorized to determine the chief executive officer's compensation and is statutorily permitted to delegate to the chief executive officer any powers and duties that it considers proper. Through WEDC's bylaws, the governing board has delegated to the chief executive officer the authority to establish WEDC's budget and monitor WEDC's fiscal management, employ staff, and execute documents on WEDC's behalf.

In FY 2022-23, a chief operating officer served as the chief executive officer's deputy. Four vice presidents managed:

- the business and community development division, which provided financial and technical assistance to businesses and communities;
- the entrepreneurship and innovation division, which worked to support new and emerging entrepreneurial and high-growth businesses in the state;
- the global trade and investment division, which worked to strengthen Wisconsin's export

partnerships and increase the export skills of Wisconsin companies; and

- the marketing and brand strategy division, which promoted Wisconsin’s economic assets and business climate.

## Audits of WEDC

Section 13.94 (1) (dr), Wis. Stats., requires the Legislative Audit Bureau to conduct biennially a financial audit of WEDC and a program evaluation audit of WEDC’s economic development programs. Combined, reports 13-7 and 14-11 fulfilled our statutory requirement to conduct the first biennial audit of WEDC. Reports 15-3, 17-9, and 19-6 fulfilled our statutory requirement to conduct the second through fourth biennial audits of WEDC.

***In report 21-7, we found that WEDC largely complied with statutes and its contracts when administering its economic development programs, but we also found concerns.***

In report 21-7, which we published in April 2021 as our fifth biennial audit of WEDC, we found that WEDC largely complied with statutes and its contracts when administering its economic development programs in FY 2019-20. However, we also found that:

- WEDC did not comply with statutes because its written procedures allowed it to award tax credits under its Enterprise Zone program for wages paid to employees for services provided outside of enterprise zones;
- WEDC did not develop written policies to require it to revoke tax credits in a timely manner, and it waited more than one year to revoke tax credits from some firms that had not met their contractual obligations;
- WEDC awarded tax credits to firms that had not created jobs according to contractual provisions; and
- WEDC’s online data, which indicate the results of its programs, contained inaccuracies and were incomplete.

To complete this sixth biennial audit of WEDC, we analyzed WEDC’s management of its programs from FY 2020-21 through FY 2022-23, including grant programs supported by supplemental federal funds received from DOA. We analyzed the governing board’s compliance with statutorily required oversight duties and the results of economic development awards that closed through FY 2021-22. We completed our analyses, in part, by reviewing available information for 531 awards WEDC made. Appendix 1 provides summary information about these awards. We also analyzed WEDC’s financial management in FY 2020-21 and FY 2021-22.

We also assessed a report made to our Fraud, Waste, and Mismanagement Hotline that raised concerns about WEDC's administration of its tax credit programs. Our assessment did not substantiate these concerns.

## Governing Board

WEDC's governing board met six times in FY 2020-21 and seven times in FY 2021-22. At these meetings, the governing board discussed a variety of subjects and approved WEDC's operating budgets, program policies, and individual tax credit allocations that were more than \$10.0 million. The governing board established three committees that reviewed certain issues and recommended how the board should proceed with these issues.

***WEDC did not comply with its policies because it did not post on its website the minutes of board meetings or board meeting materials after the meetings occurred.***

We compared the practices of WEDC's governing board for providing the public with information about its meetings with the practices of the governing boards of 19 other organizations, including 7 Wisconsin state agencies and 12 economic development authorities in other states. Among the 19 governing boards, we found that as of May 2023:

- 16 governing boards posted their meeting minutes online, but WEDC's governing board did not do so, even though policies require them to be posted on WEDC's website;
- 14 governing boards allowed members of the public to watch or listen to governing board meetings online, as did WEDC's governing board;
- 9 governing boards posted meeting agendas online before meetings occurred, as did WEDC's governing board; and
- 7 governing boards posted meeting materials online before meetings occurred. WEDC's governing board did not post meeting materials online, even though policies require them to be posted on WEDC's website after the meetings occurred.

WEDC should work with its governing board to comply with its policies and post on its website minutes of board meetings. WEDC should also work with its governing board to modify its policies so that they require board meeting materials to be posted on its website before meetings occur, and it should comply with the modified policies. Doing so will increase transparency and enable members of the public to be informed about the proceedings and actions of WEDC's governing board.

**☑ Recommendation**

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*We recommend the Wisconsin Economic Development Corporation work with its governing board to:*

- *comply with its policies and post on its website minutes of board meetings;*
- *modify its policies so that they require board meeting materials to be posted on its website before meetings occur, and it should comply with the modified policies; and*
- *report to the Joint Legislative Audit Committee by December 6, 2023, on its efforts to comply with these recommendations.*

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## Economic Development Programs

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***In FY 2021-22, WEDC administered 30 economic development programs.***

In FY 2021-22, WEDC administered 30 economic development programs through which it allocated \$58.0 million in tax credits, awarded \$91.3 million in grants and \$4.8 million in loans, and authorized local governments to issue \$53.4 million in bonds. The \$91.3 million in grants were supported, in part, by \$67.7 million in supplemental federal funds that WEDC received from DOA in order to help businesses and other entities respond to and recover from the public health emergency.

### **Types and Amounts of Assistance Provided**

The economic development programs that WEDC administered provided one or more types of assistance, including:

- grants and loans, which WEDC provided to businesses and other organizations to finance economic development projects;
- tax credits, which offset the income tax liability of businesses and individuals or provided funds to businesses and individuals;
- bonding authorization, which signified WEDC's approval for local governments to issue bonds on behalf of businesses and other organizations that financed economic development projects; and
- technical assistance, such as training, marketing, and consultation, that WEDC provided to businesses, individuals, local governments, and other organizations.

**10 › ECONOMIC DEVELOPMENT PROGRAMS**

We categorized WEDC’s economic development programs based on the primary type of assistance they provided, as shown in Table 1. In FY 2021-22, WEDC administered 20 grant and loan programs, 6 tax credit programs, 3 technical assistance programs, and 1 bonding authorization program. Appendix 2 describes each of these 30 programs. In addition, in FY 2021-22 WEDC continued to manage 19 other programs through which it no longer made awards.

Table 1

**WEDC’s Economic Development Programs, by Type**

| Program Type          | Number of Programs |            |            |            |            |
|-----------------------|--------------------|------------|------------|------------|------------|
|                       | FY 2017-18         | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 |
| Grants and Loans      | 18                 | 18         | 20         | 21         | 20         |
| Tax Credits           | 8                  | 7          | 7          | 7          | 6          |
| Technical Assistance  | 3                  | 3          | 3          | 3          | 3          |
| Bonding Authorization | 1                  | 1          | 1          | 1          | 1          |
| <b>Total</b>          | <b>30</b>          | <b>29</b>  | <b>31</b>  | <b>32</b>  | <b>30</b>  |

Table 2 shows the amount of assistance provided through WEDC’s programs. The amounts in a given fiscal year may be actually provided to recipients in either that fiscal year or future fiscal years, depending on the extent to which recipients fulfill their contractual obligations, such as creating jobs. The amount of grant assistance in FY 2020-21 and FY 2021-22 includes grants supported by supplemental federal funds WEDC received from DOA.



Table 2

**Amount of Assistance Provided through WEDC's Economic Development Programs**  
(in millions)

| Program Type          | FY<br>2017-18        | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21       | FY<br>2021-22       |
|-----------------------|----------------------|---------------|---------------|---------------------|---------------------|
| Grants                | \$ 25.6              | \$ 25.0       | \$ 27.5       | \$95.8 <sup>1</sup> | \$91.3 <sup>2</sup> |
| Tax Credits           | 3,061.8 <sup>3</sup> | 164.2         | 58.2          | 73.9                | 58.0                |
| Bonding Authorization | 65.7                 | 28.0          | 170.2         | 13.6                | 53.4                |
| Loans <sup>4</sup>    | 4.5                  | 4.4           | 2.2           | 3.4                 | 4.8                 |

<sup>1</sup> Includes \$68.2 million in program grants supported by supplemental federal funds.

<sup>2</sup> Includes \$67.7 million in program grants supported by supplemental federal funds.

<sup>3</sup> Includes \$2.85 billion awarded to Foxconn. In April 2021, this amount was modified to \$80.0 million.

<sup>4</sup> Includes loan guarantees.

## Bonding Authorization Program

Federal law authorizes state and local governments to issue tax-exempt bonds to finance economic development projects. Such bonds are an attractive source of capital for businesses because they typically have interest rates lower than those for conventional corporate bonds. In addition, the bonds may be attractive to private investors because earned income is typically exempt from federal taxes.

Through the Industrial Revenue Bonding program, WEDC authorized local governments to issue bonds on behalf of businesses that used the proceeds to fund equipment and capital improvements at manufacturing facilities. These businesses were responsible for debt service on the bonds. Earned income from the bonds is not federally taxable. WEDC authorized:

- three municipalities (Hartford, Mequon, and Sussex) to issue a total of \$13.6 million in bonds in FY 2020-21; and
- three municipalities (Gillett, Menomonee Falls, and Richfield) to issue a total of \$53.4 million in bonds in FY 2021-22.

## Tax Credit Programs

*In FY 2021-22, WEDC administered six programs that provided tax credits.*

In FY 2021-22, WEDC administered six programs that provided tax credits, including:

- one enterprise zone program that was intended to encourage economic development in specific geographic areas of the state;
- three investment tax credit programs that were intended to increase funding for Wisconsin businesses; and
- two other tax credit programs that were intended to assist individuals and businesses throughout Wisconsin.

WEDC allocates tax credits to recipients. This allocation represents the maximum amount of tax credits that can be awarded during a contract's term. The amount of awarded tax credits is based on a recipient achieving contractually required results, such as creating jobs. After awarding tax credits, WEDC informs DOR, and recipients may claim the awarded tax credits against their Wisconsin income taxes. Tax credit payments are made with general purpose revenue (GPR) through appropriations separate from WEDC's appropriations. Appendix 3 lists the 39 recipients allocated the largest amounts of tax credits in FY 2021-22.

## Development Zone Programs

Until December 2018, statutes authorized WEDC to designate up to 30 zones through the Enterprise Zone program. Each zone may be effective for up to 12 years. 2017 Wisconsin Act 369, which was enacted in December 2018, modified statutes to allow WEDC to designate any number of zones, but under the 14-day passive approval process WEDC must notify the Joint Committee on Finance in writing of its intention to designate a new zone. Businesses in the zones can be allocated tax credits based on employee wages, the number of jobs created or retained, employee training costs, significant capital expenditures, and purchases of goods and services from Wisconsin suppliers. Enterprise Zone tax credits are refundable, meaning that they can be claimed regardless of a business's Wisconsin income tax liability. Statutes do not limit the amount of tax credits available through the program.

*WEDC did not allocate any tax credits through the Enterprise Zone program in FY 2021-22.*

WEDC did not allocate any tax credits through the Enterprise Zone program in FY 2021-22. WEDC allocated a total of \$33.0 million through two awards it made through the program in FY 2020-21. WEDC indicated that businesses had less interest in the program, in part, because of challenges in creating jobs during uncertain economic conditions.

2017 Wisconsin Act 58 created the Electronics and Information Technology Manufacturing Zone Program. Statutes allow WEDC to designate one electronics and information technology manufacturing zone that shall remain in effect for no more than 15 years. Tax credits awarded through the program are refundable. In April 2021, WEDC executed an \$80.0 million contract with four corporations that are collectively referred to as “Foxconn” and that agreed to create jobs and make capital investments in the zone. Table 3 shows the contractually specified amounts of program tax credits that WEDC may award Foxconn, including \$20.3 million for creating jobs, \$40.0 million for making capital investments, and \$19.7 million in performance tax credits.

Table 3

**Amounts of Program Tax Credits WEDC May Award Foxconn**  
Under the April 2021 Contract

| Calendar Year | Minimum Number of Jobs <sup>1</sup> | Tax Credits<br>(in millions) |                                 |               |               |
|---------------|-------------------------------------|------------------------------|---------------------------------|---------------|---------------|
|               |                                     | Job Creation                 | Capital Investment <sup>2</sup> | Performance   | Total         |
| 2020          | 481                                 | \$ 2.2                       | \$26.9                          | —             | \$29.1        |
| 2021          | 747                                 | 3.5                          | 4.8                             | —             | 8.3           |
| 2022          | 918                                 | 4.1                          | 2.2                             | —             | 6.3           |
| 2023          | 1,042                               | 5.0                          | 3.7                             | —             | 8.7           |
| 2024          | 1,163                               | 5.5                          | 2.3                             | \$ 9.9        | 17.7          |
| 2025          | 1,163                               | —                            | —                               | 9.9           | 9.9           |
| <b>Total</b>  |                                     | <b>\$20.3</b>                | <b>\$40.0</b>                   | <b>\$19.7</b> | <b>\$80.0</b> |

<sup>1</sup> Foxconn must create a minimum number of jobs in order to be awarded program tax credits for a given year.

<sup>2</sup> If Foxconn creates a minimum number of jobs, unawarded or excess capital investment tax credits may be awarded in future years.

Beginning in 2018, statutes required the Legislative Audit Bureau to annually evaluate for five years WEDC’s process for verifying information submitted by recipients of Electronics and Information Technology Manufacturing Zone program tax credits, as well as whether WEDC adhered to statutory and contractual requirements when it verified the amounts of program tax credits to award recipients. In December 2022, we released report 22-24, which was our fifth and final statutorily required report.

## 14 › ECONOMIC DEVELOPMENT PROGRAMS

***From 2021 through 2022, WEDC awarded Foxconn a total of \$37.4 million in Electronics and Information Technology Manufacturing Zone program tax credits.***

As shown in Table 4, WEDC awarded Foxconn a total of \$37.4 million in Electronics and Information Technology Manufacturing Zone program tax credits from 2021 through 2022. In a given year, WEDC awards program tax credits based on Foxconn's efforts to create jobs and make capital investments in the prior year. At the time of our audit, WEDC had not awarded Foxconn any program tax credits in 2023.

Table 4

**Electronics and Information Technology Manufacturing Zone Program  
Tax Credits that WEDC Awarded to Foxconn<sup>1</sup>**  
(in millions)

| Year         | Amount        |
|--------------|---------------|
| 2021         | \$28.8        |
| 2022         | 8.6           |
| <b>Total</b> | <b>\$37.4</b> |

<sup>1</sup> WEDC awards program tax credits based on Foxconn's efforts to create jobs and make capital investments in the prior year.

### Investment Tax Credit Programs

Through the Qualified New Business Venture program, WEDC certified eligible new Wisconsin businesses to participate in two other WEDC programs that awarded nonrefundable tax credits to individuals and venture capital funds that invested in the certified businesses. To be certified, a business needed to meet certain criteria, including being headquartered in Wisconsin, having at least 51.0 percent of its employees based in the state, having fewer than 100 employees, and having been in operation in Wisconsin for no more than 10 consecutive years. WEDC certified 37 businesses in FY 2021-22.

Through the Angel Investment Tax Credit and Early Stage Seed Investment Tax Credit programs, statutes permitted WEDC in FY 2021-22 to award tax credits in amounts equal to 25.0 percent of investments made in certified new business ventures and held for at least three years, up to a maximum amount specified by WEDC for individual businesses. Certain individuals and groups of individuals who provided start-up financing to certified businesses were awarded tax credits through the Angel Investment Tax Credit program, while venture capital funds that invested in certified businesses were awarded tax credits through the Early Stage Seed Investment Tax Credit program. Statutes permitted up to \$30.0 million in tax credits to be claimed per calendar year as a combined limit for both programs.

*In 2022, investors were awarded \$6.2 million in tax credits through two investment tax credit programs.*

As shown in Table 5, investors in 25 businesses were awarded \$6.2 million in tax credits through the Early Stage Seed Investment Tax Credit and Angel Investment Tax Credit programs in 2022.

Table 5

**Tax Credits Awarded through Investment Tax Credit Programs**

| Program                                | 2021                 |                         | 2022                 |                         |
|--|----------------------|-------------------------|----------------------|-------------------------|
|  | Amount (in millions) | Businesses <sup>1</sup> | Amount (in millions) | Businesses <sup>1</sup> |
| Early Stage Seed Investment Tax Credit | \$ 5.0               | 31                      | \$3.2                | 10                      |
| Angel Investment Tax Credit            | 7.2                  | 58                      | 3.0                  | 19                      |
| <b>Total</b>                           | <b>\$12.2</b>        | 68                      | <b>\$6.2</b>         | 25                      |

<sup>1</sup> Some businesses had investors who were awarded tax credits through both programs.

**Other Tax Credit Programs**

Through the Historic Preservation Tax Credit program, statutes authorized WEDC in FY 2021-22 to allocate to businesses or individuals tax credits for preserving or rehabilitating properties certified as historic. Recipients could receive nonrefundable tax credits in amounts equal to 20.0 percent of their qualified expenditures, and recipients could transfer tax credits to third parties in exchange for cash or other valuable considerations. 2017 Wisconsin Act 280, which was enacted in April 2018, provided that beginning in FY 2018-19 WEDC could award no more than \$3.5 million in tax credits to projects undertaken on a given land parcel.

Through the Business Development Tax Credit program, statutes authorized WEDC in FY 2021-22 to allocate refundable tax credits for up to 10 years if a business increased its net employment in Wisconsin above its net employment in the state in the year before it was allocated the tax credits. Statutes authorized WEDC to award tax credits based on wages paid to employees in existing and newly created full-time jobs, including additional credits if the jobs were in economically distressed areas. WEDC could also award tax credits for projects involving capital investments, employee training, or either a business retaining a corporate headquarters in or relocating a corporate headquarters to Wisconsin.

**16 › ECONOMIC DEVELOPMENT PROGRAMS**

*In FY 2021-22, WEDC allocated a total of \$51.8 million in tax credits through the Business Development Tax Credit and Historic Preservation Tax Credit programs.*

As shown in Table 6, WEDC allocated a total of \$51.8 million in tax credits through the Business Development Tax Credit and Historic Preservation Tax Credit programs in FY 2021-22. Appendix 4 lists each allocation made through the Historic Preservation Tax Credit program in FY 2021-22.

Table 6

**Tax Credits Allocated through Other Programs**

| Program                          | FY 2020-21           |           | FY 2021-22           |           |
|----------------------------------|----------------------|-----------|----------------------|-----------|
|                                  | Amount (in millions) | Awards    | Amount (in millions) | Awards    |
| Business Development Tax Credit  | \$10.1               | 25        | \$28.7               | 33        |
| Historic Preservation Tax Credit | 18.6                 | 19        | 23.1                 | 16        |
| <b>Total</b>                     | <b>\$28.7</b>        | <b>44</b> | <b>\$51.8</b>        | <b>49</b> |

**Grant and Loan Programs**

WEDC awarded grants and loans directly to businesses, as well as economic development organizations and local governments that distributed this funding to minority-owned businesses, early-stage businesses, and other types of businesses typically underserved by commercial lenders. The grants and loans supported a variety of projects, such as expanding factories, purchasing business equipment, and performing environmental remediation. If recipients do not achieve contractual obligations or meet loan repayment requirements, WEDC is contractually allowed to recoup the funds, such as by initiating collection proceedings.

*In FY 2021-22, WEDC awarded 211 economic development grants totaling \$91.3 million.*

As shown in Table 7, WEDC awarded 211 economic development grants totaling \$91.3 million in FY 2021-22. Appendix 5 lists the 20 recipients awarded the largest amounts of grants and loans in FY 2021-22. The two largest grant programs that WEDC administered in FY 2020-21 and FY 2021-22 were the We’re All In Small Business Grant and the Main Street Bounceback Grant programs, which were supported by supplemental federal funds received from DOA.

Table 7

**Economic Development Grants Awarded by WEDC**

| Program   | FY 2020-21    |                         | FY 2021-22 |                         |
|---|---------------|-------------------------|------------|-------------------------|
|   | Grants        | Amount<br>(in millions) | Grants     | Amount<br>(in millions) |
| Main Street Bounceback Grant <sup>1</sup>   | –             | –                       | 9          | \$67.7                  |
| Community Development Investment Grant  | 41            | \$ 8.5                  | 41         | 8.6                     |
| Entrepreneurship Partner Grant  | –             | –                       | 24         | 2.7                     |
| Brownfields Grant   | 8             | 3.2                     | 9          | 2.2                     |
| Idle Sites Redevelopment Grant  | 6             | 1.6                     | 7          | 1.8                     |
| Targeted Industry Projects  | 8             | 1.3                     | 12         | 1.6                     |
| Small Business Innovation Research/Small Business<br>Technology Transfer Matching Grant | 1             | 1.5                     | 1          | 1.5                     |
| Capital Catalyst  | 7             | 1.8                     | 4          | 1.4                     |
| Global Business Development Grant   | 45            | 0.9                     | 54         | 1.1                     |
| Site Assessment Grant   | 5             | 0.6                     | 8          | 0.8                     |
| Capacity Building Grant   | 34            | 1.5                     | 9          | 0.6                     |
| Fabrication Laboratories Grant  | 28            | 0.6                     | 21         | 0.5                     |
| Diverse Business Development  | 8             | 0.6                     | 9          | 0.4                     |
| Entrepreneurial Micro-Grant   | 1             | 0.2                     | 1          | 0.3                     |
| ExporTech   | 1             | 0.1                     | 1          | 0.2                     |
| Wisconsin Investment Pilot  | 2             | 0.1                     | 1          | <0.1                    |
| We're All In Small Business Grant <sup>1,2</sup>  | 26,111        | 65.3                    | –          | –                       |
| Disaster Recovery Microloan Grant   | 1             | 4.0                     | –          | –                       |
| We're All Innovating Contest <sup>1</sup>   | 227           | 2.9                     | –          | –                       |
| Seed Accelerator  | 9             | 1.1                     | –          | –                       |
| <b>Total</b>  | <b>26,543</b> | <b>\$95.8</b>           | <b>211</b> | <b>\$91.3</b>           |

<sup>1</sup> These programs were supported by supplemental federal funds received from DOA.

<sup>2</sup> DOR administered the second round of grants awarded through the program.

**18 › ECONOMIC DEVELOPMENT PROGRAMS**

*In FY 2021-22, WEDC awarded 15 economic development loans totaling \$4.8 million.*

As shown in Table 8, WEDC awarded 15 economic development loans totaling \$4.8 million in FY 2021-22.

Table 8

**Economic Development Loans Awarded by WEDC**

| Program                     | FY 2020-21 |                      | FY 2021-22 |                      |
|-----------------------------|------------|----------------------|------------|----------------------|
|                             | Loans      | Amount (in millions) | Loans      | Amount (in millions) |
| Technology Development Loan | 13         | \$3.4                | 15         | \$4.8                |

Through FY 2016-17, WEDC administered programs that allowed it to award forgivable loans, which did not require recipients to repay some or all of the principal or interest if the recipients achieved contractually required results, such as creating or retaining specified numbers of jobs. Beginning in FY 2017-18, statutes have not allowed WEDC to award forgivable loans, as a result of provisions in 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act. Act 59 also requires WEDC’s loan programs to adhere as closely as is practicable to commonly accepted lending practices.

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## Program Administration

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***We reviewed WEDC's administration of its economic development programs.***

We reviewed WEDC's administration of its economic development programs, including its efforts to monitor loans, manage Enterprise Zone program tax credit contracts, administer grant programs supported by supplemental federal funds, and complete the statutorily required annual verification of performance information for a sample of award recipients. We found that WEDC did not comply with our recommendation in report 21-7 because it did not modify its written procedures for the Enterprise Zone program to require it to award program tax credits only for the wages paid to employees for services performed in an enterprise zone in Wisconsin, as is statutorily required. We also found that five grants totaling \$50,000 were made to ineligible recipients through a program supported by supplemental federal funds, and that WEDC did not require eight grant recipients to repay \$64,300 in supplemental federal funds that had been used to cover expenditures that were either incurred outside the contractually specified periods or not verified. We make recommendations for several improvements, including to WEDC's written procedures and policies.

### Monitoring Loans

***WEDC is responsible for collecting loan repayments, monitoring loans not fully repaid, and pursuing collection of delinquent loans.***

In its capacity as a lender, WEDC is responsible for collecting loan repayments, monitoring loans not fully repaid, and pursuing collection of delinquent loans. Policies required WEDC to send notices to recipients of loans for which repayments were 30 days, 60 days, and 90 days past due and consider other actions when repayments were 120 days or more past due. WEDC compiled information on loans 90 days or more past due.

Loan delinquency rates can be calculated in different ways. A payment delinquency rate measures loan repayments 90 days or more past due as a percentage of the remaining balance of all loans. It indicates the success of efforts to bring delinquent loans into current repayment status but does not consider the entire loan balance that is potentially uncollectible. A principal delinquency rate considers the entire loan balance that is potentially uncollectible. It measures the remaining balance for loans 90 days or more past due as a percentage of the remaining balance of all loans.

***From December 31, 2020, to December 31, 2022, WEDC’s payment delinquency rate decreased, but its principal delinquency rate increased.***

From December 31, 2020, to December 31, 2022, WEDC’s payment delinquency rate decreased, but its principal delinquency rate increased, as shown in Table 9. In calculating these rates, we included the amounts of interest owed by recipients because doing so provides more-precise information about loan delinquencies. In contrast, WEDC does not include the total amount of interest owed when it calculates these rates.

Table 9

**WEDC’s Loan Delinquency Rates, by Year<sup>1</sup>**  
As of December 31

| Year | Payment Delinquency Rate | Principal Delinquency Rate |
|------|--------------------------|----------------------------|
| 2018 | 3.5%                     | 14.6%                      |
| 2019 | 4.3                      | 10.0                       |
| 2020 | 11.0                     | 19.4                       |
| 2021 | 15.2                     | 25.3                       |
| 2022 | 9.9                      | 22.9                       |

<sup>1</sup> Includes the amounts of interest owed by recipients.

***From December 31, 2020, to December 31, 2022, the potentially uncollectible loan balance decreased from \$6.6 million to \$5.3 million.***

As shown in Table 10, the potentially uncollectible balance of loans 90 days or more past due decreased from \$6.6 million on December 31, 2020, to \$5.3 million on December 31, 2022. This decrease occurred largely because WEDC wrote off loans, forgave loans, and amended loan contracts to defer repayments, even though new loans became 90 days or more past due during this two-year period.

Table 10

**Change in the Potentially Uncollectible Balance of Loans 90 Days or More Past Due**  
(in millions)

|  | Loan<br>Amount |  | Loan<br>Amount |
|--|----------------|--|----------------|
| <b>Loans Past Due on December 31, 2020</b>         | <b>\$6.6</b>   | <b>Loans Past Due on December 31, 2021</b>         | <b>\$6.6</b>   |
| <b>Reasons for the Change<sup>1</sup></b>          |                | <b>Reasons for the Change<sup>1</sup></b>          |                |
| Loan Contracts Amended to<br>Defer Repayments      | (0.8)          | Loan Contracts Amended to<br>Defer Repayments      | (0.0)          |
| Loans Written Off                                  | (0.5)          | Loans Written Off                                  | (0.7)          |
| Loans Forgiven                                     | (0.0)          | Loans Forgiven                                     | (2.0)          |
| Loans No Longer Past Due                           | (0.7)          | Loans No Longer Past Due                           | (0.0)          |
| Payments/Interest on Loans That Remain<br>Past Due | 0.1            | Payments/Interest on Loans That Remain<br>Past Due | <(0.1)         |
| New Loans Past Due                                 | 1.9            | New Loans Past Due                                 | 1.4            |
| <b>Loans Past Due on December 31, 2021</b>         | <b>\$6.6</b>   | <b>Loans Past Due on December 31, 2022</b>         | <b>\$5.3</b>   |

<sup>1</sup> The amounts amended, written off, forgiven, and no longer past due reflect the potentially uncollectible balance of the loans on December 31, 2021, and December 31, 2022, excluding interest accrued after those dates.

If WEDC amends a loan contract to defer the dates on which a recipient must make loan repayments, it no longer considers that loan to be delinquent. WEDC amended contracts to defer repayments on five loans that were 90 days or more past due on December 31, 2020. As of December 31, 2022, recipients of three of the five loans were 90 days or more past due on loan repayments, and the other two recipients were in compliance with their amended contracts.

WEDC wrote off two loans that were 90 days or more past due on December 31, 2020, and three loans that were 90 days or more past due on December 31, 2021. These five loans had a total remaining balance of \$1.1 million on the December 31 before the year in which they were written off. WEDC wrote off these loans because it determined the debts to be uncollectible.

WEDC forgave the remaining balance of a \$2.0 million loan that was 90 days or more past due on December 31, 2021. WEDC did so because it determined the loan recipient had partially achieved its contractually required results. Recipients are not required to repay some or all of the principal or interest on forgivable loans if they achieve contractually required results, such as creating or retaining jobs.

In report 21-7, we recommended that WEDC provide the Joint Legislative Audit Committee with semiannual information on past-due loans. WEDC provided such information for each six-month period through December 2022. WEDC should continue to provide the Joint Legislative Audit Committee with such information for each six-month period.

### Recommendation

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*We recommend the Wisconsin Economic Development Corporation:*

- *beginning on July 1, 2023, 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 2023 through December 2023, 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 thereafter 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 1, 2024, for the six-month period from July 2023 through December 2023, and then report this information every six months thereafter.*

## Services Performed in Enterprise Zones

***Statutes require WEDC to award Enterprise Zone program tax credits for the wages paid to employees for services performed in an enterprise zone.***

Sections 71.07 (3w), 71.28 (3w), and 71.47 (3w), Wis. Stats., require WEDC to award Enterprise Zone program tax credits based on a tax credit recipient's zone payroll, which is statutorily defined to be the wages paid to full-time employees for services performed in an enterprise zone, which must be in Wisconsin. Statutes do not permit WEDC to award program tax credits for services performed outside of an enterprise zone. In our current and past two biennial audits, we found that WEDC's contracts complied with statutes by requiring

WEDC to award program tax credits for the wages paid to employees for services performed in an enterprise zone.

In report 19-6 and report 21-7, we found that WEDC developed written procedures that allowed it to award Enterprise Zone program tax credits for the wages of employees who did not perform services in Wisconsin. In both reports, we recommended that WEDC modify its written procedures to require it to award program tax credits only for the wages of employees who perform services in an enterprise zone, as is statutorily required. In October 2021, WEDC updated the Joint Legislative Audit Committee on efforts to implement each of the recommendations in report 21-7. In this update, WEDC indicated it was considering how to implement our report recommendation.

***WEDC's written procedures did not require WEDC to award Enterprise Zone program tax credits only for the wages paid to employees for services performed in an enterprise zone.***

In our current audit, we again found that WEDC's written procedures did not require WEDC to award Enterprise Zone program tax credits only for the wages paid to employees for services performed in an enterprise zone. WEDC required recipients of program tax credits to provide information about each employee's residency, work site, and wages, but it did not require recipients to specify the wages paid for services performed in an enterprise zone. WEDC indicated it had not modified its policies since our last audit because many employees now work remotely and it is difficult to determine the extent to which such employees performed services in an enterprise zone. Nevertheless, statutes require WEDC to award program tax credits only for the wages paid to employees for services performed in an enterprise zone.

Statutes provide that WEDC's governing board must require each recipient of a tax credit, grant, or loan to submit a report to WEDC, and that the contracts with these recipients must specify the frequency and format of a report and the performance measures to be included in it. WEDC uses these performance reports, in part, to calculate the amount of tax credits to award to recipients and to compile its online data that show the results of each award, such as the number of jobs that were created.

***WEDC included in its calculations for Enterprise Zone tax credits 331 employees who lived in states not contiguous to Wisconsin.***

We reviewed the calculations WEDC made based on the most-recent performance reports that were submitted by 17 recipients of Enterprise Zone program contracts. Information from these performance reports was included in WEDC's online data as of January 2023. We found that WEDC included in its calculations 331 employees who lived in states not contiguous to Wisconsin and worked for 7 of the 17 recipients. After completing its calculations, WEDC determined that five of the seven recipients had created and retained more jobs than contractually required and, as a result, it did not award any tax credits for employees who lived in states not contiguous to Wisconsin. If these five recipients had not created and retained more jobs than contractually required, WEDC could have awarded them up to \$4.3 million for employees who lived in states not contiguous to Wisconsin. WEDC did not award tax credits to two of the seven recipients for creating or retaining jobs. Nevertheless, we question whether the 331 employees performed services in enterprise zones.

We again recommend WEDC modify its Enterprise Zone written procedures to require it to award program tax credits only for the wages paid to employees for services performed in an enterprise zone, as is statutorily required. WEDC should also require all Enterprise Zone tax credit recipients to provide information on the amount of wages paid to employees for services performed in enterprise zones. Doing so will ensure that taxpayer funds are spent appropriately.

### **☑ Recommendation**

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*We recommend the Wisconsin Economic Development Corporation:*

- *modify its Enterprise Zone program written procedures to require it to award program tax credits only for the wages paid to employees for services performed in an enterprise zone, as is statutorily required;*
- *require all recipients of Enterprise Zone program tax credits to provide information on the amount of wages paid to employees for services performed in enterprise zones; and*
- *report to the Joint Legislative Audit Committee by December 6, 2023, on its efforts to comply with these recommendations.*

## **Grant Programs Supported by Supplemental Federal Funds**

From March 2020 through June 2023, WEDC administered three grant programs supported by supplemental federal funds. DOA allocated these funds to WEDC under three agreements:

- A May 2020 agreement allocated \$75.0 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds for WEDC to award \$2,500 grants to small businesses. These funds supported WEDC's We're All In Small Business Grant program.
- A September 2020 agreement allocated \$3.0 million in CARES Act funds for WEDC to award grants ranging from \$12,000 to \$68,000 to small businesses that made operational and technical innovations to address the effects of the public health emergency. These funds supported WEDC's We're All Innovating Contest program.

- A September 2021 agreement allocated \$50.0 million in American Rescue Plan Act (ARPA) funds for WEDC to enter into agreements with nine regional economic development organizations to award \$10,000 grants to businesses and nonprofits that opened new locations or expanded their operations in vacant commercial spaces. In February 2023, an amended agreement increased the allocation to \$100.0 million and allocated \$306,000 for program administration. These funds supported WEDC’s Main Street Bounceback Grant program.

*From March 2020 through June 2023, WEDC administered three programs that awarded \$162.5 million in grants supported by supplemental federal funds.*

As shown in Table 11, WEDC administered three programs that awarded \$162.5 million in grants supported by supplemental federal funds from March 2020 through June 2023.

Table 11

**WEDC Grant Programs Supported by Supplemental Federal Funds**  
March 2020 through June 2023

| Program  | Grants        | Amount<br>(in millions) |
|--|---------------|-------------------------|
| Main Street Bounceback Grant <sup>1</sup>      | 9,426         | \$ 94.3                 |
| We’re All In Small Business Grant <sup>2</sup> | 26,118        | 65.3                    |
| We’re All Innovating Contest <sup>2</sup>      | 227           | 2.9                     |
| <b>Total</b>                                   | <b>35,771</b> | <b>\$162.5</b>          |

<sup>1</sup> ARPA funds supported the program.

<sup>2</sup> CARES Act funds supported the program.

In report 21-7, we reviewed WEDC’s administration of the We’re All In Small Business Grant program and recommended that WEDC report information on how it awarded all funds through this and other public health emergency-related programs. In our current audit, we found that WEDC complied with this recommendation by including such information on its website.

In our current audit, we assessed WEDC’s administration of the Main Street Bounceback Grant and We’re All Innovating Contest programs. We found concerns with WEDC’s administration of the Main Street Bounceback Grant program.

## Main Street Bounceback Grant Program

Through the Main Street Bounceback Grant program, WEDC provided funds to nine regional economic development organizations that subsequently awarded 9,426 grants of \$10,000 each to businesses and nonprofits from August 2021 through March 2023. Grant recipients could use the funds to cover the costs of leases, mortgages, operational expenses, building repairs, and improvements to vacant commercial spaces that they had newly occupied. Grants were awarded based on information in the grant applications that businesses and nonprofits submitted.

***We found concerns with WEDC's policies for the Main Street Bounceback Grant program.***

We found concerns with WEDC's policies for the Main Street Bounceback Grant program, including:

- The policies indicated one-time assistance was to be provided to grant recipients that established operations in vacant commercial spaces. WEDC indicated to us that the policy's actual intent was to award one grant per vacant commercial space, rather than one grant per recipient. We found that 250 recipients were awarded multiple grants, including 1 recipient that was awarded five grants totaling \$50,000 for five commercial spaces at the same street address.
- Policies did not specify whether eligible commercial spaces included those provided by business incubators, which are organizations that lease workstations or private offices to start-up businesses. Although WEDC indicated it typically considered such spaces to be ineligible for program grants, it allowed regional economic development organizations to decide such eligibility. We found that 79 grants totaling \$790,000 were awarded to recipients that rented spaces at business incubators.
- WEDC's policies did not limit eligibility based on the number of a grant recipient's employees, even though U.S. Treasury guidance permitted ARPA funds to be awarded to small businesses with fewer than 500 employees to rehabilitate commercial spaces. WEDC indicated it had not considered the limits.

***Five ineligible recipients were awarded a total of \$50,000 Main Street Bounceback grants.***

We found that five ineligible recipients were awarded a total of \$50,000 Main Street Bounceback grants, including:

- Three business that indicated having 500 employees or more were awarded grants totaling \$30,000, even though U.S. Treasury guidance permitted ARPA funds to be awarded to businesses with fewer than 500 employees to rehabilitate commercial spaces.



- The University of Wisconsin (UW) System was awarded two grants totaling \$20,000, even though U.S. Treasury guidance permitted ARPA funds to be used only by small businesses to rehabilitate commercial spaces, and WEDC's policies prohibited government entities from being awarded grants.

WEDC should improve its program administration. First, WEDC should require five recipients to repay a total of \$50,000 in Main Street Bounceback grants that were awarded contrary to U.S. Treasury guidance, and it should then return the repaid funds to DOA. Second, WEDC should ensure its future program policies comply with all federal requirements. Third, WEDC should ensure its program policies are clear, such as by specifying whether start-up businesses that locate their operations in commercial spaces leased by business incubators are eligible for grants. Clear program policies are particularly important when WEDC provides funds to third-parties that are subsequently responsible for awarding these funds to entities. Taking these actions will help to ensure that taxpayer funds are spent appropriately and consistently.

#### Recommendation

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*We recommend the Wisconsin Economic Development Corporation:*

- *require five recipients to repay a total of \$50,000 in Main Street Bounceback grants that were awarded contrary to U.S. Treasury guidance, and then return the repaid funds to DOA;*
- *ensure its future program policies comply with all federal requirements;*
- *ensure its program policies are clear, particularly when it provides funds to third-parties that are responsible for awarding these funds to entities; and*
- *report to the Joint Legislative Audit Committee by December 6, 2023, on its efforts to implement these recommendations.*

## Verifying Performance Measure Information

***WEDC complied with statutes by completing an annual verification for 2020 and 2021.***

Statutes require WEDC to annually and independently verify the accuracy of the information in the performance reports submitted by a sample of tax credit, grant, and loan recipients. We found that WEDC complied with statutes by completing an annual verification for calendar years 2020 and 2021. Combined, these verification efforts

included consideration of information in 139 performance reports, which represented 9.7 percent of all performance reports submitted to WEDC over that two-year period. In 2021, WEDC separately conducted verification efforts to review three programs created to support business and other entities during the public health emergency. At the time of our audit, WEDC had paid a consultant \$195,000 to help conduct all five of these verification efforts. At the time of our audit, the verification effort for 2022 had not been completed.

To complete the verification efforts, WEDC's consultant requested that award recipients provide payroll and other documents to verify the accuracy of information in previously submitted performance reports. In some instances, the consultant attempted to verify information associated with a sample of jobs that tax credit recipients claimed they had created or retained, while in other instances the consultant attempted to verify information that indicated whether grant recipients spent funds according to the terms of their contracts. The consultant reported to WEDC that it was unable to verify all performance information from 22 of the 139 awards (15.8 percent) that it reviewed.

We found that WEDC used the results of the annual verification efforts to take action regarding 19 of the 22 awards. As of June 2023, WEDC:

- determined that most of the issues pertaining to 15 awards were minor and had no effect on eligibility or the amounts paid to the recipients;
- determined that recipients of 3 awards subsequently provided additional information that allowed for the verification of performance measures; and
- closed 1 award and pursued the collection of financial penalties.

***As of June 2023, WEDC had not taken action regarding three awards for which its consultant could not verify all performance information for 2020.***

As of June 2023, we found that WEDC had not taken action regarding 3 of the 22 awards for which its consultant could not verify all performance information for 2020. After we asked about these three awards, WEDC indicated it was unaware of information its consultant had provided about these awards because of a change in the staff member who was responsible for communicating with its consultant. Although WEDC subsequently indicated to us that it no longer relies on only one employee to communicate with its consultant, WEDC did not modify its written procedures to reflect this change.

WEDC should improve its annual verification process. WEDC should take action regarding three awards for which its consultant was unable to verify all performance information for 2020. WEDC should also modify its written procedures to ensure issues identified through the annual verification process are promptly addressed. Taking these actions will help ensure that WEDC spends taxpayer funds appropriately and consistently.

## ☑ Recommendation

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We recommend the Wisconsin Economic Development Corporation:

- take action regarding three awards for which its consultant was unable to verify all performance information for 2020;
- modify its written procedures to ensure issues identified through the annual verification process are promptly addressed; and
- report to the Joint Legislative Audit Committee by December 6, 2023, on its efforts to implement these recommendations.

Statutes require a recipient that is awarded funds for creating and retaining jobs to offer the employees in those positions the same retirement, health, and other benefits that are offered to a recipient's other full-time employees. In report 21-7, we found that WEDC's annual verification efforts did not assess the fringe benefits offered to the employees of award recipients and recommended that WEDC ensure such assessments are conducted. In our current audit, we found that WEDC complied with our recommendation during its 2021 annual verification.

## Grant Programs Supported by Supplemental Federal Funds

***WEDC did not attempt to collect repayment of \$64,300 in expenditures its consultant had identified.***

We found that WEDC did not attempt to collect repayment of \$64,300 in questioned expenditures its consultant had identified through verification efforts of the We're All Innovating Contest and the We're All In Small Business Grant programs. In December 2021, the consultant reported to WEDC that:

- five recipients spent \$49,300 after the contractually specified time periods had ended; and
- three recipients did not provide information to verify that they had spent a total of \$15,000 in compliance with their contracts.

***WEDC's policies for collecting repayments from award recipients did not consistently comply with statutory requirements.***

We found that WEDC's policies for collecting repayments from award recipients did not consistently comply with statutory requirements. Statutes require WEDC to collect repayments from grant and loan recipients that do not provide a satisfactory explanation for not complying with their contracts. In contrast, the policies indicate WEDC will not pursue repayments of grants under programs created in response to the public health emergency. WEDC indicated it established these policies, in part, because the cost of its collection

efforts could exceed the amounts to be recovered and because of the economic effects of the public health emergency on grant recipients. In addition, the policies allow WEDC not to collect repayments less than \$5,000.

WEDC should comply with statutes by modifying its policies to require it to collect repayment from all grant and loan recipients that do not provide a satisfactory explanation for not complying with their contracts, regardless of whether a given program was created in response to the public health emergency, the cost of collection efforts, or the amount. In addition, WEDC should require eight recipients to repay the \$64,300 identified in its verification efforts of programs supported by supplemental federal funds, and it should return the repaid funds to DOA. Because the \$64,300 was supported by the now-ended CARES Act, DOA will need to return these funds to the federal government. Taking these actions will help ensure that WEDC spends taxpayer funds appropriately.

**☑ Recommendation**

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*We recommend the Wisconsin Economic Development Corporation:*

- *comply with statutes by modifying its policies to require it to collect repayment from all grant and loan recipients that do not provide a satisfactory explanation for not complying with their contracts;*
- *require eight recipients to repay \$64,300 identified in its verification efforts of programs supported by supplemental federal funds and return the repaid funds to the Department of Administration; and*
- *report to the Joint Legislative Audit Committee by December 6, 2023, on its efforts to implement these recommendations.*

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## Program Results

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*We determined the results of WEDC's economic development programs from FY 2011-12 through FY 2021-22.*

We determined the results of WEDC's economic development programs from FY 2011-12 through FY 2021-22. Statutes require WEDC's governing board to monitor the performance of its programs. WEDC's information indicated 29,439 awards closed from FY 2011-12 through FY 2021-22, including 338 tax credit and loan awards that contractually required the recipients to create jobs and 379 such awards that contractually required the recipients to retain jobs. We assessed the extent to which the recipients of these tax credit and loan awards created or retained the contractually required jobs. We also assessed WEDC's timeliness in revoking tax credits from recipients that did not comply with contractual provisions and WEDC's process for assessing program results. We recommend WEDC develop written policies that require it to revoke tax credits in a timely manner, consistently comply with those policies, and improve how it assesses program results.

### **Assessing Award Effectiveness**

Assessing the effectiveness of WEDC's awards involves determining the extent to which award recipients met their contractual obligations, such as by creating or retaining jobs. An award ends at the conclusion of the contractually specified time period for the recipient to meet its obligations or if other circumstances occur, such as if a recipient withdraws from its contract or goes out of business. After an award ends, WEDC closes it by preparing a written summary that indicates the extent to which the recipient fulfilled its contractual obligations.

***WEDC’s information indicated 29,439 awards totaling \$992.0 million closed from FY 2011-12 through FY 2021-22.***

As shown in Table 12, WEDC’s information indicated 29,439 awards totaling \$992.0 million closed from FY 2011-12 through FY 2021-22. Appendix 6 lists the programs through which WEDC made these 29,439 awards.

Table 12

**Economic Development Awards That Closed, by Type<sup>1</sup>**  
 FY 2011-12 through FY 2021-22

| Type                     | Awards        |                     | Amount Awarded      |                   |
|--------------------------|---------------|---------------------|---------------------|-------------------|
|                          | Number        | Percentage of Total | Total (in millions) | Average per Award |
| Grants                   | 28,487        | 96.8%               | \$221.6             | \$ 7,800          |
| Tax Credits <sup>2</sup> | 785           | 2.7                 | 686.5               | 874,500           |
| Loans                    | 167           | 0.6                 | 83.9                | 502,400           |
| <b>Total</b>             | <b>29,439</b> | <b>100.0%</b>       | <b>\$992.0</b>      | 33,700            |

<sup>1</sup> Based on WEDC’s information.

<sup>2</sup> Includes 187 awards made through the Qualified New Business Venture program, which certified businesses to participate in two other tax credit programs.

In report 21-7, we noted that 681 awards had closed through FY 2019-20. The number increased considerably in the following two years, primarily because 27,243 grants closed after FY 2019-20. WEDC had awarded these grants to help businesses respond to and recover from the public health emergency.

Some awards required the recipients to achieve multiple results. For example, an award may have required a recipient to purchase manufacturing equipment and retain a specified number of jobs. We used WEDC’s information to categorize the expected results of awards as follows:

- “capital investments” includes purchasing equipment or building, leasing, or renovating commercial space;
- “job creation or retention” includes creating new jobs, retaining existing jobs, or both;
- “increased export capacity” includes obtaining consulting or translation services, participating in trade missions, or attending conventions related to export activities;

- “third-party investments” includes using awarded funds to obtain additional capital investments in start-up recipients;
- “community development” includes improving public infrastructure, rehabilitating buildings, or performing environmental remediation activities; and
- “business skills development” includes supporting business plan or feasibility studies, entrepreneurial development, and technical assistance activities.

As shown in Table 13, WEDC’s information indicated that capital investment was an expected result of 915 of 2,196 awards that closed (41.7 percent), and job creation or retention was an expected result of 550 awards that closed (25.0 percent). We excluded from our analysis the 27,243 grants to help businesses respond to and recover from the public health emergency because these grants were awarded for a unique purpose.

Table 13

**Expected Results of Economic Development Awards That Closed<sup>1, 2</sup>**  
 FY 2011-12 through FY 2021-22

| Expected Result             | Awards | Percentage of Total |
|-----------------------------|--------|---------------------|
| Capital Investments         | 915    | 41.7%               |
| Job Creation or Retention   | 550    | 25.0                |
| Increased Export Capacity   | 460    | 20.9                |
| Community Development       | 455    | 20.7                |
| Third-Party Investments     | 291    | 13.3                |
| Business Skills Development | 245    | 11.2                |
| Other <sup>3</sup>          | 64     | 2.9                 |

<sup>1</sup> Based on WEDC’s information. Some awards required recipients to achieve multiple expected results.

<sup>2</sup> Excludes 27,243 grants to help businesses respond to and recover from the public health emergency.

<sup>3</sup> Includes requirements for recipients to relocate to Wisconsin, provide employee training, and develop products.

We assessed the results of all 446 tax credit and loan awards that closed from FY 2011-12 through FY 2021-22 and contractually required the recipients to create jobs, retain jobs, or both. Appendix 1 contains summary information about these 446 awards, which had a total contract value of \$285.6 million. We did not assess the results of grant awards, most of which required recipients to create or retain few, if any, jobs.

***The actual numbers of jobs created or retained as a result of awards that closed cannot be known.***

The actual numbers of jobs created or retained as a result of awards that closed cannot be known. In recent years, WEDC collected more-complete information about the extent to which award recipients created or retained jobs. However, in prior audits we found that WEDC did not consistently:

- collect sufficiently detailed information during the underwriting process about the numbers of individuals employed by award applicants at the time of contract execution;
- collect sufficiently detailed information when closing awards to determine whether award recipients created or retained jobs that met the contractual specifications; or
- comply with statutes by annually verifying the performance measure information.

### **Job Creation**

Statutes required WEDC to award tax credits under certain programs based on each job a recipient created, up to a contractually specified maximum number of jobs. We considered this maximum number to be the planned number of jobs. Under other programs, statutes required WEDC to award tax credits based on the wages a recipient paid to employees. WEDC's contracts for these programs typically specified the planned numbers of jobs to be created.

***Recipients of 338 tax credit and loan awards that closed through FY 2021-22 created 66.9 percent of the planned number of jobs.***

As shown in Table 14, WEDC's information indicated that recipients of 338 tax credit and loan awards that closed through FY 2021-22 created 66.9 percent of the planned number of jobs. If WEDC determined that a given recipient did not create all contractually required jobs, WEDC did not award that recipient all of the tax credits it had allocated to that recipient.



Table 14

**Estimated Job Creation Results of Awards That Closed, by Program<sup>1</sup>**  
FY 2011-12 through FY 2021-22

|  | Awards     | Number of Jobs |               | Percentage Created |
|--|------------|----------------|---------------|--------------------|
|  |            | Created        | Planned       |                    |
| <b>Tax Credit Programs</b>                               |            |                |               |                    |
| Economic Development Tax Credit <sup>2</sup>             | 141        | 6,276          | 9,071         | 69.2%              |
| Jobs Tax Credit <sup>2</sup>                             | 49         | 4,637          | 5,630         | 82.4               |
| Business Development Tax Credit                          | 79         | 2,689          | 5,464         | 49.2               |
| Enterprise Zone  | 2          | 455            | 1,217         | 37.4               |
| Development Opportunity Zone <sup>2</sup>                | 9          | 412            | 444           | 92.8               |
| Subtotal   | 280        | 14,469         | 21,826        | 66.3               |
| <b>Loan Programs</b>                                     |            |                |               |                    |
| Business Retention and Expansion Investment <sup>2</sup> | 26         | 1,966          | 2,297         | 85.6               |
| Business Opportunity Loan Fund <sup>2</sup>              | 28         | 1,027          | 1,939         | 53.0               |
| State Energy Program <sup>2</sup>                        | 3          | 21             | 60            | 35.0               |
| Milk Volume Production <sup>2</sup>                      | 1          | 2              | 2             | 100.0              |
| Subtotal   | 58         | 3,016          | 4,298         | 70.2               |
| <b>Total</b>   | <b>338</b> | <b>17,485</b>  | <b>26,124</b> | 66.9               |

<sup>1</sup> According to WEDC's information. The actual number of jobs created cannot be known.

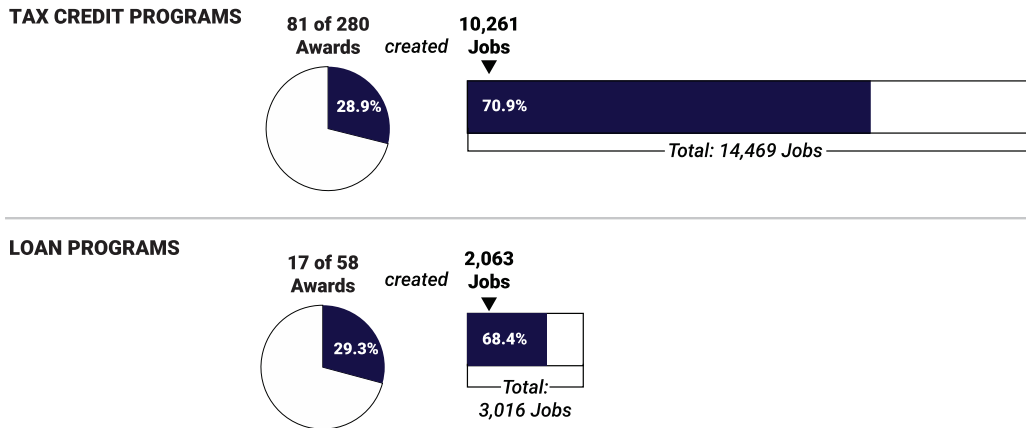
<sup>2</sup> WEDC no longer makes new awards under this program.

***Less than one-third of the recipients of the 338 tax credit and loan awards created approximately two-thirds of all 17,485 jobs created as a result of these awards.***

Less than one-third of the recipients of the 338 tax credit and loan awards created approximately two-thirds of all 17,485 jobs created as a result of these awards. As shown in Figure 1, recipients of 81 tax credit awards created 10,261 of the 14,469 jobs (70.9 percent) created by all 280 tax credit awards. Similarly, recipients of 17 loan awards created 2,063 of the 3,016 jobs (68.4 percent) created by all 58 loan awards. Recipients of most of the 338 tax credit and loan awards created fewer jobs than contractually specified.

Figure 1

**Estimated Extent to Which Awards That Closed Created the Contractually Specified Numbers of Jobs, by Award Type<sup>1</sup>**  
 FY 2011-12 through FY 2021-22



<sup>1</sup> According to WEDC’s information. The actual number of jobs created cannot be known.

***A total of 102 of the 338 tax credit and loan awards ended before the contractually specified completion dates.***

We found that 102 of the 338 tax credit and loan awards ended before the contractually specified completion dates. As a result, recipients of these 102 awards were no longer contractually required to create up to 8,299 jobs. These 102 awards included:

- 55 awards involving recipients that withdrew from their contracts;
- 15 awards involving recipients that did not comply with contractual requirements;
- 13 awards involving recipients that repaid their loans, after which WEDC closed these awards and ceased determining whether jobs were created or retained, even though the recipients were contractually required to create or retain jobs for longer periods of time in order to avoid paying penalties;
- 10 awards involving recipients that ceased operating in Wisconsin or at the project locations; and
- 9 awards involving recipients that sold their operations in Wisconsin.

We found that 40 of the 338 awards did not end early, but the recipients of these awards were not paid for creating any jobs. WEDC did not pay the recipients because either the contracts did not contain provisions for it to pay the recipients for creating jobs or the recipients did not create any contractually specified jobs.

We estimated the cost to create jobs through tax credit and loan awards that closed through FY 2021-22, reached contractually specified completion dates, and resulted in recipients being paid for creating jobs. As shown in Table 15, WEDC's information indicated that 284 such awards had closed.

Table 15

**Estimated Total and Average Costs of Created Jobs, by Program<sup>1, 2</sup>**  
FY 2011-12 through FY 2021-22

|  | Awards     | Total Cost of Created Jobs | Created Jobs  | Average Cost per Created Job |
|--|------------|----------------------------|---------------|------------------------------|
| <b>Tax Credit Programs</b>                               |            |                            |               |                              |
| Economic Development Tax Credit <sup>3</sup>             | 158        | \$26,692,900               | 10,436        | \$2,600                      |
| Jobs Tax Credit <sup>3</sup>                             | 32         | 22,511,600                 | 4,637         | 4,900                        |
| Business Development Tax Credit                          | 59         | 9,130,500                  | 2,657         | 3,400                        |
| Enterprise Zone  | 6          | 3,756,200                  | 1,254         | 3,000                        |
| Development Opportunity Zone Tax Credit <sup>3</sup>     | 7          | 948,900                    | 412           | 2,300                        |
| <b>Loan Programs</b>                                     |            |                            |               |                              |
| Business Retention and Expansion Investment <sup>3</sup> | 12         | 2,841,000                  | 1,682         | 1,700                        |
| Business Opportunity Loan Fund <sup>3</sup>              | 10         | 2,495,300                  | 771           | 3,200                        |
| <b>Total</b>   | <b>284</b> | <b>\$68,376,400</b>        | <b>21,849</b> | <b>3,100</b>                 |

<sup>1</sup> According to WEDC's information. The actual number of jobs created cannot be known.

<sup>2</sup> Includes awards that reached contractually specified completion dates, and the award recipients earned funds for creating jobs.

<sup>3</sup> WEDC no longer makes new awards under this program.

## Job Retention

*WEDC's information indicated that recipients of 379 tax credit and loan awards that closed through FY 2021-22 retained 73.7 percent of contractually required jobs.*

As shown in Table 16, WEDC's information indicated that recipients of 379 tax credit and loan awards that closed through FY 2021-22 retained 73.7 percent of contractually required jobs. If WEDC determined that a given recipient did not retain all contractually required jobs, WEDC did not award that recipient all of the tax credits that it had allocated to that recipient. We found that WEDC amended 19 contracts to reduce the numbers of jobs that recipients were required to retain. It typically did so after it obtained more-accurate information about the numbers of jobs that the recipients actually had at the time of contract execution.

Table 16

### Estimated Job Retention Results of Awards That Closed, by Program<sup>1</sup> FY 2011-12 through FY 2021-22

|  | Awards     | Number of Jobs |                        | Percentage Retained |
|--|------------|----------------|------------------------|---------------------|
|  |            | Retained       | Contractually Required |                     |
| <b>Tax Credit Programs</b>                               |            |                |                        |                     |
| Economic Development Tax Credit <sup>2</sup>             | 218        | 30,150         | 35,606                 | 84.7%               |
| Jobs Tax Credit <sup>2</sup>                             | 44         | 10,311         | 14,759                 | 69.9                |
| Business Development Tax Credit                          | 61         | 2,259          | 7,961                  | 28.4                |
| Development Opportunity Zone <sup>2</sup>                | 9          | 1,464          | 1,944                  | 75.3                |
| Enterprise Zone  | 1          | 0              | 1,084                  | 0.0                 |
| Subtotal   | 333        | 44,184         | 61,354                 | 72.0                |
| <b>Loan Programs</b>                                     |            |                |                        |                     |
| Business Retention and Expansion Investment <sup>2</sup> | 25         | 5,285          | 6,963                  | 75.9                |
| Business Opportunity Loan Fund <sup>2</sup>              | 20         | 3,947          | 4,135                  | 95.5                |
| Special Project Loan Fund <sup>2</sup>                   | 1          | 0              | 34                     | 0.0                 |
| Subtotal   | 46         | 9,232          | 11,132                 | 82.9                |
| <b>Total</b>   | <b>379</b> | <b>53,416</b>  | <b>72,486</b>          | <b>73.7</b>         |

<sup>1</sup> According to WEDC's information. The actual number of jobs retained cannot be known.

<sup>2</sup> WEDC no longer makes new awards under this program.

***A total of 79 of the 379 awards ended before the contractually specified completion dates.***

We found that 79 of the 379 awards ended before the contractually specified completion dates. As a result, recipients of these awards were no longer contractually required to retain 12,984 jobs. These 79 awards included:

- 45 awards involving recipients that withdrew from their contracts;
- 11 awards involving recipients that ceased operating in Wisconsin or at the project locations;
- 9 awards involving recipients that did not comply with contractual requirements;
- 8 awards involving recipients that sold their operations in Wisconsin; and
- 6 awards involving recipients that repaid their loans, after which WEDC closed these awards and ceased determining whether jobs were retained, even though the recipients had been contractually required to retain jobs for longer periods of time in order to avoid paying penalties.

We found that 181 of the 379 awards did not end early, but the recipients of these awards were not paid for retaining any jobs. WEDC did not pay the recipients because either the contracts did not contain provisions for it to pay the recipients for retaining jobs or the recipients did not retain any contractually specified jobs.

We estimated the cost to retain jobs through tax credit and loan awards that closed through FY 2021-22, reached the contractually specified completion dates, and resulted in recipients being paid for retaining jobs. As shown in Table 17, WEDC's information indicated that 53 such awards had closed.

Table 17

**Estimated Total and Average Costs of Retained Jobs, by Program<sup>1,2</sup>**  
FY 2011-12 through FY 2021-22

|  | Awards    | Total Cost of Retained Jobs | Retained Jobs | Average Cost per Retained Job |
|--|-----------|-----------------------------|---------------|-------------------------------|
| <b>Tax Credit Program</b>                                |           |                             |               |                               |
| Economic Development Tax Credit <sup>3</sup>             | 28        | \$15,761,700                | 6,772         | \$2,300                       |
| Enterprise Zone  | 5         | 11,696,500                  | 3,297         | 3,500                         |
| Development Opportunity Zone <sup>3</sup>                | 1         | 240,500                     | 109           | 2,200                         |
| Business Development Tax Credit                          | 1         | 116,000                     | 56            | 2,100                         |
| <b>Loan Programs</b>                                     |           |                             |               |                               |
| Business Retention and Expansion Investment <sup>3</sup> | 12        | 7,701,600                   | 4,210         | 1,800                         |
| Business Opportunity Loan Fund <sup>3</sup>              | 6         | 3,107,200                   | 1,883         | 1,700                         |
| <b>Total</b>   | <b>53</b> | <b>\$38,623,400</b>         | <b>16,327</b> | 2,400                         |

<sup>1</sup> According to WEDC's information. The actual number of jobs retained cannot be known.

<sup>2</sup> Includes awards that reached contractually specified completion dates, and the award recipients earned funds for retaining jobs.

<sup>3</sup> WEDC no longer makes new awards under this program.

## Timeliness of Tax Credit Revocations

WEDC's contracts typically specify that recipients may be awarded tax credits for creating and retaining jobs during contractually specified time periods. When WEDC closes such awards, it determines the extent to which recipients created and retained jobs. The contracts also specify the process by which WEDC may revoke previously awarded tax credits if recipients do not meet their contractual obligations, such as creating and retaining jobs.

***Statutes require DOR to charge recipients 12.0 percent interest annually from the dates the taxes were originally due to be paid.***

If WEDC revokes tax credits, statutes require DOR to charge recipients 12.0 percent interest annually from the dates the taxes were originally due to be paid. The amount of interest is based on the amounts of revoked tax credits that recipients had claimed. If several years have passed between when a recipient claimed tax credits and when WEDC revoked the tax credits, the amount of interest that DOR must charge may be considerable.

In report 21-7, we found that WEDC's policies did not specify the point in time when WEDC should revoke tax credits and that WEDC at times waited more than one year to revoke tax credits from recipients that had not met their contractual obligations. As a result, we recommended that WEDC develop written policies that require it to revoke tax credits in a

timely manner for recipients that do not meet contractual obligations. In our current audit, we found that WEDC's policies still did not specify the point in time when WEDC should revoke tax credits and that WEDC at times waited more than one year to revoke tax credits from recipients that did not meet their contractual obligations.

In June 2012, WEDC executed a \$2.25 million contract through the Jobs Tax Credit program. Although this award ended in December 2016, WEDC did not close it until March 2020, when it determined that the recipient had not met its contractual obligations. WEDC subsequently revoked \$190,000 in previously awarded tax credits. The contract indicated the recipient could be required to pay 12.0 percent interest starting on the date when the tax credits were revoked, rather than the date when the recipient had claimed the tax credits several years earlier. In this way, the contract did not comply with statutes. In April 2021, the recipient filed a lawsuit against WEDC, in part, because of the length of time that had passed since the contract ended. The Wisconsin Circuit Court's website indicated the lawsuit was withdrawn in June 2022 as a result of a settlement.

***In September 2021, WEDC began to close a significant number of awards that had ended as long ago as 2015.***

In September 2021, WEDC began to close a significant number of awards that had ended as long ago as 2015. WEDC indicated that for several years before 2021, it had not prioritized closing awards in a timely manner and had not allocated sufficient staff to close awards. In total, WEDC indicated it closed approximately 1,300 awards, which included 48 tax credit awards it closed from May 2022 through May 2023. We reviewed WEDC's information for these 48 awards.

***WEDC did not revoke \$2.6 million in tax credits from recipients of 20 tax credit awards, even though these recipients did not meet their contractual obligations.***

We found that WEDC did not revoke \$2.6 million in tax credits from recipients of 20 of the 48 tax credit awards we reviewed, even though these recipients did not meet their contractual obligations to create jobs, retain jobs, or submit performance reports. WEDC waited an average of 3.6 years to close the 20 awards. WEDC's contracts with these recipients did not comply with statutes because they indicated the recipients could be charged interest only from the dates of revocation, rather than the dates the tax credits were claimed, as is statutorily required. Because of these inaccurate contractual provisions and the length of time that had passed since the awards ended, WEDC indicated it decided not to revoke the tax credits associated with these contracts, which were executed from August 2011 to May 2016.

WEDC indicated it modified its contracts to ensure that they no longer contain provisions contrary to statutory requirements regarding the amount of interest that may be charged for the amounts of revoked tax credits. We reviewed all 16 tax credit contracts that contained job creation and retention requirements and that WEDC executed during the first six months of FY 2022-23. We found that none of the contracts contained provisions contrary to statutory requirements regarding the amount of interest that may be charged for the amounts of revoked tax credits.

***WEDC should develop written policies that require it to revoke tax credits in a timely manner if a recipient did not meet contractual obligations.***

WEDC should develop written policies that require it to revoke tax credits in a timely manner if a recipient did not meet contractual obligations. WEDC should then consistently comply with its written policies by revoking tax credits in a timely manner. Doing so will help to ensure that WEDC recovers taxpayer funds in a timely manner and tax credit recipients do not pay unnecessary amounts of interest on revoked tax credits.

### **☑ Recommendation**

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*We recommend the Wisconsin Economic Development Corporation:*

- *develop written policies that require it to revoke tax credits in a timely manner if a recipient did not meet contractual obligations;*
- *consistently comply with its written policies by revoking tax credits in a timely manner; and*
- *report to the Joint Legislative Audit Committee by December 6, 2023, on its efforts to implement these recommendations.*

## **Assessing Program Results**

In reports 19-6 and 21-7, we recommended that WEDC improve how it assesses the results of its programs, including by annually and comprehensively assessing awards that closed and using this information to consider changes to its program policies and when making decisions about future awards. In report 21-7 and in our current audit, we found that WEDC did not implement our recommendations.

WEDC's budget and operations plan for FY 2022-23 includes targets for program activities, including the anticipated numbers of awards to be made through individual programs. However, the plan does not indicate how WEDC decided the anticipated numbers of awards or the amounts of funding to support the programs. In making such decisions, WEDC indicated it considers the needs of businesses, trends in business demand for individual programs, and its total available budget, and then documents these decisions in multiple databases, policies, and memoranda. WEDC indicated it is in the process of centralizing such information.



The budget and operations plan for FY 2022-23 includes WEDC's organization-wide goals to promote innovation, identify future industry needs and trends, and assist specific markets such as rural communities, diverse businesses, and downtown communities. However, the plan does not indicate the precise methods by which WEDC plans to promote innovation, the specific industry needs and trends that WEDC plans to support, or how particular WEDC programs can assist specific markets. The plan similarly does not indicate the extent to which WEDC's individual programs have helped it to achieve its organization-wide goals.

WEDC's annual report on economic development for FY 2021-22 includes information about each program's activities and certain results, such as the numbers of businesses assisted and jobs created. However, the report does not indicate, for example, the cost per job created and retained as a result of individual programs, or assess the extent to which individual programs were successful in helping WEDC to achieve its organization-wide goals. WEDC indicated it plans to contract with a consultant to conduct more-detailed assessments of its programs but had not done so as of July 2023.

We continue to believe a sufficient number of awards have closed to allow WEDC to make an annual comprehensive assessment of program results, including the extent to which individual programs helped WEDC to achieve its organization-wide goals. As noted, WEDC's information indicated 29,439 awards totaling \$992.0 million closed through FY 2021-22. Such an assessment could help WEDC's governing board to better plan and oversee the programs.

***WEDC should improve  
how it assesses program  
results.***

We again recommend that WEDC improve how it assesses program results. First, WEDC should determine more-specific organization-wide goals, such as particular industry sectors or geographic areas in the state to support with its programs; annually track its progress toward meeting those goals; and annually assess whether modifications to the goals are needed. Second, WEDC should annually determine and document how individual programs are expected to help achieve the organization-wide goals. Third, WEDC should annually document in one location the reasons why it provided specific amounts of funding to support individual programs. Fourth, WEDC should annually and comprehensively assess and document the extent to which each program achieved its anticipated results, such as the average cost per created and retained job and the extent to which each program helped WEDC to achieve its organization-wide goals. Finally, WEDC should use information from this process to make any necessary modifications to its programs. WEDC could also use such information to advise the Legislature on the types of programs that are most likely to result in effective economic development in the state.

**☑ Recommendation**

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*We recommend the Wisconsin Economic Development Corporation:*

- *determine more-specific organization-wide goals, annually track its progress toward meeting these goals, and annually assess whether modifications to the goals are necessary;*
- *annually determine and document in one location how individual programs are expected to help achieve the organization-wide goals;*
- *annually document the reasons why it provided specific amounts of funding to support individual programs;*
- *annually and comprehensively assess and document the extent to which each program achieved its anticipated results and helped WEDC to achieve its organization-wide goals;*
- *use information from this process to make any necessary programmatic modifications; and*
- *report to the Joint Legislative Audit Committee by December 6, 2023, on its efforts to implement these recommendations.*

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## Program Accountability

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***Statutes require WEDC's governing board to report annually on each of its economic development programs.***

Statutes require WEDC's governing board to report to the Legislature annually by October 1 on each economic development program that it administered in the prior fiscal year and make the reported information readily accessible to the public on the internet. Statutes require this annual economic development program report to include the results of each such program. We assessed how WEDC reported on its programs and the results of these programs in FY 2021-22. We found that WEDC's online data, which indicate program results, continued to contain inaccuracies. We make recommendations for improvements.

### Reporting Program Results

For a given program, statutes require the annual economic development program report to contain information pertaining to the prior fiscal year, including:

- a program description;
- a comparison of expected and actual program outcomes;
- the number of grants and loans made, the amount and recipient of each grant and loan, and the total amount of grants and loans awarded;
- the location and industry classification, by municipality, of each job created or retained in the state as a result of the program;

- the total amount of tax benefits allocated and the total amount of tax benefits verified to DOR through the program;
- the recipient of each allocated tax benefit and each verified tax benefit through the program; and
- any recommended changes to the program.

We reviewed WEDC's October 2022 report, which includes information on the programs WEDC administered in FY 2021-22, and the accompanying online data that present information on the results of certain awards that WEDC made from FY 2011-12 through FY 2021-22. Appendix 7 summarizes the activities of each program in FY 2021-22.

***In October 2022, WEDC changed the format of its annual economic development report.***

Beginning with the October 2022 report, WEDC changed the format of its annual economic development report from a printable document to a series of webpages, including one webpage per program. WEDC indicated it plans to archive the webpages so they will continue to be publicly available after future reports are released.

In report 21-7, we found that WEDC's online data did not include the job creation and retention results of awards that had been closed for a year or more at the time of its publication of the online data. In our current audit, we found that WEDC made information about the results of such awards available in a separate file on its website.

We found concerns with WEDC's online data, including:

- The online data did not accurately reflect the numbers of contractually required jobs created and retained as a result of awards that closed in FY 2020-21 or FY 2021-22. The online data indicated 142 award recipients had created 11,521 jobs and that 212 award recipients retained 36,720 jobs, but WEDC's files indicated these recipients actually had created 11,340 jobs and retained 35,174 jobs that met contractual requirements. The online data included jobs created and retained by recipients that had ceased operations in Wisconsin or otherwise terminated their awards before the contractually specified completion dates, as well as jobs that did not meet the contractual requirements necessary for recipients to be awarded tax credits for creating jobs.

- The online data double-counted the numbers of jobs retained as a result of certain awards. We found that WEDC’s data for FY 2011-12 through FY 2021-22 double-counted up to 249 jobs created and 1,241 jobs retained. For example, WEDC executed two tax credit contracts with one recipient in December 2014. Each contract required this recipient to retain all existing jobs. Although this recipient reported the same employees over the same period for each of the two awards, WEDC double-counted the number of these employees in its online data. WEDC indicated that it provides job information for each award in its data in order to provide transparency for each individual award.

***WEDC’s online data continued to contain inaccurate information about the numbers of jobs that award recipients created and retained.***

WEDC’s online data continued to contain inaccurate information about the numbers of jobs that award recipients created and retained. Table 18 summarizes the concerns we found in our current audit and similar concerns we had found in our three most-recent audits of WEDC.

Table 18

**Concerns We Identified with WEDC’s Online Data**

| Type of Concern                                   | Legislative Audit Bureau Report |      |      |       |
|---|---------------------------------|------|------|-------|
|   | 17-9                            | 19-6 | 21-7 | 23-11 |
| Inaccurate numbers of jobs were reported          | ✓                               | ✓    | ✓    | ✓     |
| Double-counted jobs were reported                 | ✓                               | ✓    | ✓    | ✓     |
| Jobs information was removed from the online data |                                 | ✓    | ✓    |       |

We again recommend WEDC improve the accuracy of its statutorily required annual economic development program report, which includes the online data. WEDC should also annually archive the webpages for each program in its annual economic development reports, which will allow these webpages to remain publicly available in the future. Taking these actions will allow legislators and the public to assess program effectiveness more easily.

**Recommendation**

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*We recommend the Wisconsin Economic Development Corporation:*

- *improve the accuracy of its statutorily required annual economic development program report;*
- *annually archive the webpages for each program in its annual economic development reports; and*
- *report to the Joint Legislative Audit Committee by December 6, 2023, on its efforts to implement these recommendations.*

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## Financial Management

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We examined WEDC's financial management in FY 2020-21 and FY 2021-22. We found that federal funds accounted for 61.1 percent of WEDC's \$106.5 million total revenue in FY 2021-22, and state funds accounted for 39.0 percent. WEDC's total available funding exceeded its total payments in each quarter from July 1, 2020, through June 30, 2022. In the quarter ending on June 30, 2022, WEDC's total available resources were \$69.7 million. WEDC had established contractual or other obligations for \$57.0 million of the \$69.7 million, but it had not done so for the remaining \$13.0 million.

### Revenues

WEDC historically was supported primarily by state funding. However, most of WEDC's financial support in FY 2020-21 and FY 2021-22 came from supplemental federal funds provided through the CARES Act and ARPA.

***In FY 2021-22, federal funds accounted for 61.1 percent of WEDC's \$106.5 million total revenue.***

In FY 2021-22, federal funds accounted for 61.1 percent of WEDC's \$106.5 million total revenue, and state funds accounted for 39.0 percent, as shown in Table 19. WEDC's federal funds included \$68.2 million in CARES Act funds in FY 2020-21 and \$64.7 million in ARPA funds in FY 2021-22. DOA allocated these funds to WEDC to administer grant programs to help businesses and other entities respond to and recover from the public health emergency.

Table 19

**WEDC's Revenues, by Type**  
(in millions)

| Type                               | FY 2020-21     | Percentage of Total | FY 2021-22     | Percentage of Total |
|------------------------------------|----------------|---------------------|----------------|---------------------|
| <b>Federal Revenue<sup>1</sup></b> | \$ 68.4        | 61.5%               | \$ 65.2        | 61.1%               |
| <b>State Funding</b>               |                |                     |                |                     |
| General Purpose Revenue            | 13.2           | 11.9                | 13.2           | 12.4                |
| Segregated Revenue                 | 27.9           | 25.1                | 28.3           | 26.6                |
| Subtotal                           | 41.1           | 37.0                | 41.5           | 39.0                |
| Loan Interest and Fees             | 1.4            | 1.2                 | 0.8            | 0.8                 |
| Other <sup>2</sup>                 | 0.3            | 0.3                 | (1.0)          | (0.9)               |
| <b>Total</b>                       | <b>\$111.2</b> | <b>100.0%</b>       | <b>\$106.5</b> | <b>100.0%</b>       |

<sup>1</sup> Includes \$68.2 million in CARES Act funds in FY 2020-21 and \$64.7 million in ARPA funds in FY 2021-22.

<sup>2</sup> Includes bond servicing fees, tax transfer fees, investment income, fees paid by attendees of WEDC-sponsored conferences and trade missions, and other miscellaneous revenue. In FY 2021-22, WEDC had \$1.3 million in negative investment income because of unfavorable market activity.

## Cash and Investments

Consistent with a July 2014 arrangement, each quarter DOA provides WEDC with one-fourth of the total amount of state funds in the budget schedule for WEDC in a given fiscal year. Because DOA does not take into consideration WEDC's existing resources, financial commitments, or expenditures, WEDC may receive more funds than needed to cover its operational costs and fulfill its grant and loan commitments in a given quarter. WEDC's funds do not cover its tax credit awards, which DOR pays.

WEDC is the custodian of its cash and investments, which represent its total available resources. The total available at any point in time is the accumulated amount WEDC has received but not paid out. In FY 2021-22, WEDC received state funding that totaled \$41.5 million, as well as \$64.7 million in federal ARPA funding to provide grants to businesses.

On an ongoing basis, WEDC makes payments to grant and loan recipients and for its administrative costs. In FY 2021-22, such payments totaled \$45.6 million. In addition, WEDC made \$64.3 million in grant payments that were supported by supplemental federal funds.

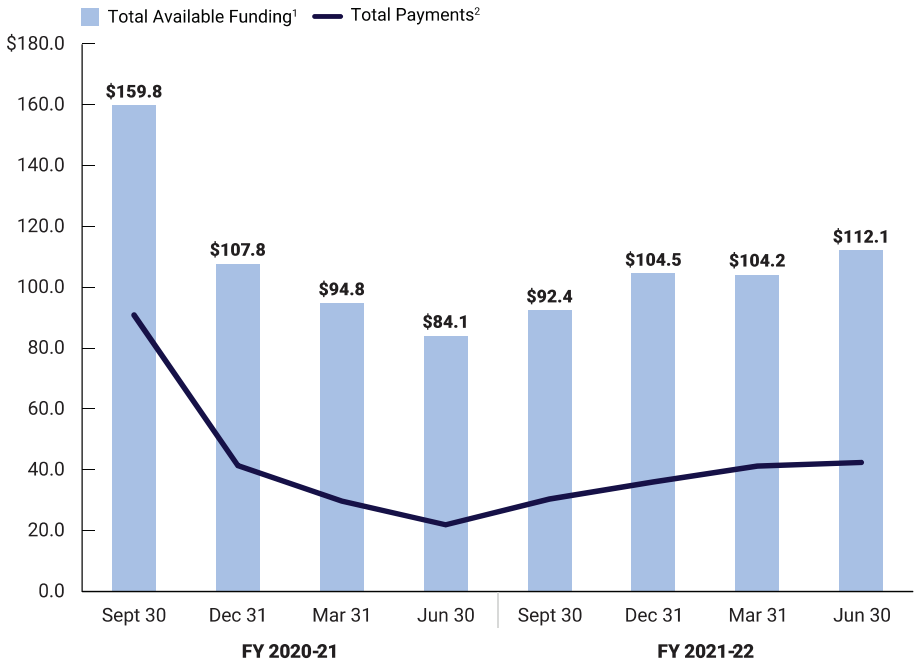


***In the quarter ending on June 30, 2022, WEDC’s total available resources were \$69.7 million.***

As shown in Figure 2, WEDC’s total available funding exceeded its total payments for each quarter from July 1, 2020, through June 30, 2022. In the quarter ending on June 30, 2022, WEDC’s total available resources were \$69.7 million. WEDC had established contractual or other obligations for \$57.0 million of the \$69.7 million, but it had not done so for the remaining \$13.0 million.

Figure 2

**WEDC’s Total Available Funding and Total Payments, at Quarter End**  
(in millions)



<sup>1</sup> Includes the cash and investments balance at the start of a given quarter, as well as the amounts received during that quarter.

<sup>2</sup> Includes all payments to grant and loan recipients and for administrative costs. Excludes tax credits, which WEDC does not pay.

## Administrative Expenditures

***WEDC's administrative expenditures decreased by 4.6 percent from FY 2020-21 to FY 2021-22.***

As shown in Table 20, WEDC's administrative expenditures decreased from \$21.7 million in FY 2020-21 to \$20.7 million in FY 2021-22, or by 4.6 percent. Over this two-year period, salary and fringe benefits expenditures increased, but marketing expenditures decreased.

Table 20

### Administrative Expenditures, by Type (in millions)

| Type                                     | FY 2020-21    | Percentage of Total | FY 2021-22    | Percentage of Total |
|--|---------------|---------------------|---------------|---------------------|
| Salaries and Fringe Benefits             | \$11.9        | 54.7%               | \$13.2        | 63.7%               |
| Marketing                                | 5.7           | 26.3                | 2.8           | 13.7                |
| Professional Services                    | 1.7           | 7.7                 | 1.8           | 8.8                 |
| Information Technology                   | 1.1           | 5.2                 | 1.2           | 5.9                 |
| Building, Maintenance, and Utilities     | 0.6           | 2.9                 | 0.7           | 3.2                 |
| Conferences and Professional Development | 0.2           | 1.1                 | 0.4           | 1.7                 |
| Travel                                   | <0.1          | 0.1                 | 0.2           | 1.0                 |
| Other <sup>1</sup>                       | 0.4           | 2.0                 | 0.4           | 2.0                 |
| <b>Total</b>                             | <b>\$21.7</b> | <b>100.0%</b>       | <b>\$20.7</b> | <b>100.0%</b>       |

<sup>1</sup> Includes business insurance, supplies, equipment, business meals, recruiting, and other expenditures.

## Salaries and Fringe Benefits

***WEDC had 118 permanent staff on June 30, 2022.***

Because WEDC is not a state agency and its staff are not state employees, it is not authorized positions through the state budget. As shown in Table 21, WEDC had 118 permanent staff on June 30, 2022. Twelve staff had been employed by WEDC since its inception, and 28 staff had been employed by WEDC for less than one year.

Table 21

**Number of WEDC Staff, by Functional Area<sup>1</sup>**  
 June 30, 2022

| Functional Area                              | Number     |
|--|------------|
| Business and Community Development           | 23         |
| Credit and Risk                              | 18         |
| Global Trade and Investment                  | 11         |
| Business Information and Technology Services | 10         |
| Legal Services and Compliance                | 10         |
| Marketing and Brand Strategy                 | 9          |
| Executive Office                             | 8          |
| Strategic Investment and Policy              | 7          |
| Entrepreneurship and Innovation              | 6          |
| Human Resources                              | 6          |
| Budget and Finance                           | 5          |
| Office of Rural Prosperity                   | 5          |
| <b>Total</b>                                 | <b>118</b> |

<sup>1</sup> Includes full-time and part-time permanent staff.

We found that 19 permanent staff whom WEDC employed on July 1, 2021, were no longer employed by WEDC on June 30, 2022. In FY 2021-22, WEDC hired 28 individuals, all of whom it still employed on June 30, 2022.

We examined WEDC’s expenditures for salaries and fringe benefits, which represented 63.7 percent of its total administrative expenditures in FY 2021-22. As shown in Table 22, WEDC paid more than \$120,000 to staff in 10 positions in FY 2021-22.

Table 22

**Amounts Paid to Certain WEDC Staff in FY 2021-22**

| Position  | Amount    |
|---|-----------|
| Chief Executive Officer   | \$209,700 |
| Chief Financial Officer   | 164,800   |
| Chief Legal Officer   | 161,800   |
| Chief Operating Officer   | 159,800   |
| Senior Vice President for Strategic Investment and Policy             | 136,800   |
| Senior Vice President of Business Information and Technology Services | 132,200   |
| Senior Vice President of Credit and Risk                              | 132,100   |
| Vice President of Entrepreneurship and Innovation                     | 128,100   |
| Vice President of Global Trade and Investment                         | 124,800   |
| Vice President of Business and Community Development                  | 124,500   |

In addition to salaries, WEDC provided certain staff with merit and recognition awards. Merit awards acknowledged staff who exceeded performance expectations for a project, and recognition awards acknowledged special efforts or accomplishments. Merit and recognition awards totaled \$1,100 in FY 2020-21 and \$10,300 in FY 2021-22. In comparison, such awards had totaled \$108,800 in FY 2019-20.



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## Appendices

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## Appendix 1

### Reviews Conducted of Selected WEDC Contracts

**Program Number** provides a numerical reference created by the Legislative Audit Bureau for each program that WEDC administered in FY 2021-22 and is also used in other appendices.

#### Tax Credit Contracts Executed from FY 2011-12 through FY 2022-23

| Program Number | Program                         | Number of Contracts | Amount               |
|----------------|---------------------------------|---------------------|----------------------|
| 3              | Enterprise Zone                 | 17                  | \$ 528,800,000       |
| 1              | Business Development Tax Credit | 16                  | 10,605,000           |
| <b>Total</b>   |                                 | <b>33</b>           | <b>\$539,405,000</b> |

#### Tax Credit Awards Requiring Job Creation or Retention That Closed in FY 2022-23

| Program Number | Program                                      | Number of Contracts | Amount              |
|----------------|--|---------------------|---------------------|
| -              | Economic Development Tax Credit <sup>1</sup> | 32                  | \$ 11,963,400       |
| -              | Jobs Tax Credit <sup>1</sup>                 | 15                  | 9,458,000           |
| 1              | Business Development Tax Credit              | 4                   | 4,700,000           |
| 3              | Enterprise Zone                              | 1                   | 3,000,000           |
| <b>Total</b>   |  | <b>52</b>           | <b>\$29,121,400</b> |

<sup>1</sup> WEDC no longer executes contracts under this program.

#### Tax Credit and Loan Awards Requiring Job Creation or Retention That Closed from FY 2011-12 through FY 2021-22

| Program Number | Program  | Number of Contracts | Amount               |
|----------------|--|---------------------|----------------------|
| -              | Economic Development Tax Credit <sup>1</sup>             | 227                 | \$ 94,275,500        |
| -              | Jobs Tax Credit <sup>1</sup>                             | 52                  | 54,784,500           |
| 3              | Enterprise Zone  | 3                   | 46,000,000           |
| 1              | Business Development Tax Credit                          | 83                  | 33,972,500           |
| -              | Business Opportunity Loan Fund <sup>1</sup>              | 31                  | 24,251,500           |
| -              | Business Retention and Expansion Investment <sup>1</sup> | 36                  | 22,819,600           |
| -              | State Energy Program <sup>1</sup>                        | 3                   | 6,148,600            |
| -              | Development Opportunity Zone <sup>1</sup>                | 9                   | 3,105,800            |
| -              | Special Projects Loan Fund <sup>1</sup>                  | 1                   | 250,000              |
| -              | Milk Volume Production <sup>1</sup>                      | 1                   | 40,000               |
| <b>Total</b>   |  | <b>446</b>          | <b>\$285,648,000</b> |

<sup>1</sup> WEDC no longer executes contracts under this program.





## Appendix 2

### **Descriptions of WEDC's Economic Development Programs**

FY 2021-22

This appendix provides a brief description of the 30 economic development programs WEDC administered in FY 2021-22. Statutes define an economic development program as a program or activity that has the primary purpose of encouraging the establishment and growth of business in Wisconsin, including the creation and retention of jobs.

The programs are organized by award type and the amount of economic development allocated. Definitions of key terms follow.

**Program Number** provides a numerical reference created by the Legislative Audit Bureau for each program and is also used in other appendices.

**Program** provides the designated name for each economic development program.

**Wisconsin Statutes** cite statutory authority for the program. For programs without a specific statutory authorization, we cite ch. 238, Wis. Stats., which authorizes WEDC's operations.

**Description** provides a brief description of the main features of the program.

| Program Number | Program                                | Wisconsin Statutes  | Description   |
|----------------|--|---|---|
| 1              | Business Development Tax Credit        | 238.308; 71.07(3y); 71.28(3y); 71.47(3y)                          | Provided refundable tax credits to businesses for creating jobs, purchasing significant capital assets, training employees, or establishing or retaining a corporate headquarters in Wisconsin. A business must annually increase net employment above the base year net employment in its Wisconsin-based workforce to receive tax credits. Jobs must have paid at least 150.0 percent of the federal minimum wage.  |
| 2              | Historic Preservation Tax Credit       | 71.07(9m); 71.28(6); 71.47(6); 238.17                             | Provided transferable tax credits equal to 20.0 percent of qualified rehabilitation expenses for projects with at least \$50,000 in qualified expenditures. WEDC allocated businesses or individuals nonrefundable tax credits based on expenditures to preserve or rehabilitate certified historic structures. Allocations were limited to \$3.5 million in tax credits for all projects that occurred on the same parcel of land.   |
| 3              | Enterprise Zone                        | 238.399; 71.07(3w); 71.28(3w); 71.47(3w)                          | Provided refundable tax credits to businesses in WEDC-designated zones. Businesses that located, expanded, retained jobs, or made purchases from Wisconsin suppliers in a zone could claim income tax credits based on employee wages for jobs created or retained, employee training costs, significant capital expenditures, and purchases from Wisconsin suppliers. Tax credits must be awarded for services performed in the zone. Zones are effective for up to 12 years. Statutes did not limit the amount of tax credits available or the number of zones.   |
| 4              | Qualified New Business Venture         | 238.15(1)-(3); 71.07(5b); 71.07(5d); 71.28(5b); 71.47(5b); 76.638 | Certified eligible new businesses, which allowed investors to receive nonrefundable tax credits under the Angel Investment and Early Stage Seed Investment Tax Credit programs. The program stimulated the capital necessary for emerging-growth businesses to develop new products and technologies and move products to market. To become certified, a business needed to meet certain criteria, including being headquartered in Wisconsin, having at least 51.0 percent of its employees based in the state, having fewer than 100 employees, and having been in operation for no more than 10 consecutive years. |
| 5              | Angel Investment Tax Credit            | 238.15(1)-(3); 71.07(5b); 71.07(5d); 71.28(5b); 71.47(5b); 76.638 | Provided tax credits to investment fund managers who invested in businesses certified as qualified new business ventures. Investment fund managers were awarded credits equal to 25.0 percent of their investments. Annually, a total of \$30.0 million in credits was available between this program and the Early Stage Seed Investment Tax Credit program.   |
| 6              | Early Stage Seed Investment Tax Credit | 238.15(1)-(3); 71.07(5b); 71.07(5d); 71.28(5b); 71.47(5b); 76.638 | Provided tax credits to eligible accredited investors or investment networks that invested for at least three years in businesses certified as qualified new business ventures. Accredited investors were awarded credits equal to 25.0 percent of their investments. Annually, a total of \$30.0 million in credits was available between this program and the Angel Investment Tax Credit program.  |
| 7              | Main Street Bounceback Grant           | General Authority (ch. 238)                                       | Provided funds to regional economic development organizations that awarded grants to businesses and nonprofits that opened new locations or expanded their operations in vacant commercial spaces. Funds could be used to cover the costs of leases, mortgages, operational expenses, building repairs, and improvements to vacant commercial spaces.   |

| Program Number | Program  | Wisconsin Statutes          | Description  |
|----------------|--|-----------------------------|--|
| 8              | Community Development Investment Grant   | General Authority (ch. 238) | Provided grants to counties, cities, villages, and towns for redevelopment projects, with an emphasis on downtown sites. Recipients could use funding for community development projects such as historic preservation, development of significant destination attractions, and infill and mixed-use developments. Recipients were required to provide a 3:1 funding match.  |
| 9              | Entrepreneurship Partner Grant   | General Authority (ch. 238) | Provided grants to nonprofit organizations that administered entrepreneurship support programs for start-up and emerging-growth businesses. Grants were available through a competitive selection process for new and pilot programs, as well as an open application process for established programs.   |
| 10             | Brownfields Grant  | 238.13                      | Provided grants to businesses, local governments, and nonprofit organizations to environmentally remediate contaminated commercial and industrial properties. WEDC's policies generally limited awards to no more than \$250,000. Statutes required a match of 50.0 percent of grant funds from the recipient.   |
| 11             | Idle Sites Redevelopment Grant   | General Authority (ch. 238) | Provided grants of up to \$250,000 to government entities to redevelop industrial or institutional sites larger than 5 acres or commercial sites larger than 10 acres that had been used for those purposes for at least 25 years. Grants could be used for demolition, environmental remediation, or site-specific improvements defined in a redevelopment plan. Grant funds could not exceed 30.0 percent of eligible project costs.   |
| 12             | Targeted Industry Projects   | General Authority (ch. 238) | Provided targeted industry sector investment grants and technical support to nonprofit and public entities with connections to target industries, including those that support workforce development. The program focused on opportunities with the potential to create jobs and to increase the competitiveness of industry sectors in the state.   |
| 13             | Small Business Innovation Research/Small Business Technology Transfer Matching Grant | General Authority (ch. 238) | Provided grants to technology-based businesses in or relocating to Wisconsin in the form of matching portions of Phase I and II awards under the federal Small Business Innovation Research and Small Business Technology Transfer programs.   |
| 14             | Capital Catalyst   | General Authority (ch. 238) | Provided grants to seed funds managed by local communities to provide capital to start-up and emerging-growth businesses. A grant recipient was to provide 1:1 matching funds.   |
| 15             | Global Business Development Grant  | General Authority (ch. 238) | Provided grants to support the specific export development and deployment strategy of businesses. The program had two components. The International Market Access Grant component reimbursed specific expenses associated with newly exporting to, or expanding in, international markets, up to \$25,000 annually. Funding could be used for trade show exhibitions, trade missions, website and literature translation services, and consulting services. The Collaborative Market Access Grant component provided intermediaries up to \$150,000 to deliver services available under the International Market Assistance Grant. |

| Program Number | Program                           | Wisconsin Statutes          | Description   |
|----------------|-----------------------------------|-----------------------------|---|
| 16             | Site Assessment Grant             | 20.192(1)(s); 238.133       | Provided grants to local governments to complete environmental assessments and remediate contaminated industrial and commercial properties with economic or community development potential. Eligible projects included abandoned, idle, or underused facilities that were unlikely to be redeveloped because of actual or perceived contamination.                 |
| 17             | Capacity Building Grant           | General Authority (ch. 238) | Provided grants to help local and regional economic development groups assess economic competitiveness, develop economic development strategies, and support strategies to improve operational efficiencies and increase collaboration with other development organizations.  |
| 18             | Fabrication Laboratories Grant    | General Authority (ch. 238) | Provided grants to Wisconsin school districts to purchase equipment for instructional and educational purposes in fabrication laboratories. Awards were based on a school district's financial need. Recipients could receive up to \$25,000 annually.  |
| 19             | Diverse Business Development      | General Authority (ch. 238) | Provided funds to nonprofits and businesses to support minority, women, LGBT-, and veteran-owned business development. Eligible nonprofits provided business financing, training, or technical assistance to the minority, women, LGBT, and veteran business community.   |
| 20             | Entrepreneurial Micro-Grant       | General Authority (ch. 238) | Provided funds to a statewide entity that administered grants awarded to businesses using these funds. The grants allowed businesses to receive professional assistance in applying for federal grant funds, receive business planning education, and develop commercialization plans. The grants were administered by the Center for Technology Commercialization. |
| 21             | ExporTech                         | General Authority (ch. 238) | Contracted with the Wisconsin Center for Manufacturing & Productivity to provide an array of services to businesses seeking help with exporting their products or services. This program was designed to accelerate the process of taking products to international markets through planning and to provide ongoing support for implementing a marketing plan.      |
| 22             | Wisconsin Investment Pilot        | General Authority (ch. 238) | Provided direct financial assistance to technology-based start-up and emerging-growth companies certified by WEDC as Qualified New Business Ventures. Investment funds of up to \$100,000 could be used as working capital and required matching funds.   |
| 23             | Disaster Recovery Microloan Grant | General Authority (ch. 238) | Provided grants to regional entities to provide rapid response microloans to businesses affected by disaster events.  |
| 24             | Workforce Training Grant          | General Authority (ch. 238) | Provided grants to businesses locating a new facility in Wisconsin or expanding an existing facility that developed a product, process, or service that required training in new technology and industrial skills.  |

| Program Number | Program                             | Wisconsin Statutes               | Description  |
|----------------|-------------------------------------|----------------------------------|--|
| 25             | Technology Development Loan         | General Authority (ch. 238)      | Provided loans to start-up and emerging-growth businesses that developed and commercialized a technologically innovative process, product, or service. Funds could be used for working capital or equipment. Loan amounts depended on the stage of growth. Businesses in the product and process development stage were limited to a \$250,000 loan, those in the commercial launch stage were limited to a \$500,000 loan, and those in the expansion stage were limited to a \$750,000 loan. |
| 26             | Business Development Loan           | General Authority (ch. 238)      | Provided loans to small businesses with limited access to traditional financing opportunities, particularly in rural areas of the state. Eligible businesses needed to be engaged in one of the following industries: aerospace; bioscience; energy, power, and control; food and beverage; forest products; manufacturing; water technology; and transportation.  |
| 27             | Industrial Revenue Bonding          | 66.1103; 238.10; 238.11; 238.125 | Approved counties and municipalities to issue bonds on behalf of specific businesses to finance capital investment projects or to purchase land, real estate, or equipment. The businesses were responsible for debt service on the bonds.   |
| 28             | Main Street and Connect Communities | 238.127                          | Provided technical assistance to local governments participating in historic preservation and economic development of traditional business districts. Assistance included training, facade renderings, small business consultations, and the hiring of consultants.  |
| 29             | Certified Sites                     | General Authority (ch. 238)      | Provided certification of building sites to streamline the permitting process for businesses seeking to expand operations. Eligible sites consisted of a minimum of 20 contiguous, developable acres.  |
| 30             | Global Trade Venture                | General Authority (ch. 238)      | Provided Wisconsin businesses access to international markets and helped to develop market entry and expansion strategy plans. WEDC led Wisconsin businesses on virtual or in-country trips and provided businesses with country-specific business services.   |



### Appendix 3

## Recipients Allocated the Largest Amounts of Tax Credits in FY 2021-22 (in millions)

| Recipient                              | Amount  |
|--|---------|
| Fincantieri Marine Group, LLC          | \$ 12.0 |
| Agropur, Inc.                          | 4.5     |
| Edison School Apartments, LLC          | 3.5     |
| GenCap Danna Stevens Point 102, LLC    | 3.5     |
| Zuelke Flats, LLC                      | 3.2     |
| Brooke Street Lofts Apartments, LLC    | 3.1     |
| accreVAL Laboratories, LLC             | 3.0     |
| AdvantiGen Biosciences, LLC            | 3.0     |
| American Trade Exchange, Inc.          | 3.0     |
| Amruth Group, LLC                      | 3.0     |
| BlueChip Content Platform Incorporated | 3.0     |
| Cert-N, LLC                            | 3.0     |
| CrossKudi, Inc.                        | 3.0     |
| Estrigenix Therapeutics, Inc.          | 3.0     |
| FindSpotz, Inc.                        | 3.0     |
| Glazd, Inc.                            | 3.0     |
| Helium, LLC                            | 3.0     |
| Houstr, Inc.                           | 3.0     |
| Igiene Labs, Inc.                      | 3.0     |
| Launch GTM, Inc.                       | 3.0     |
| Lincoln Labs, Inc.                     | 3.0     |
| MSB Technologies, Inc.                 | 3.0     |
| My Talent Planner, Inc.                | 3.0     |
| Nurse Disrupted, Inc.                  | 3.0     |
| OCDfeat, Inc.                          | 3.0     |
| QOLOS, Inc.                            | 3.0     |
| ReVise, Inc.                           | 3.0     |
| Reach Works, Inc.                      | 3.0     |
| RehabPath, Inc.                        | 3.0     |
| Shenanigan Kids, Inc.                  | 3.0     |
| Streo, Inc.                            | 3.0     |
| Tip a ScRxipt, Inc.                    | 3.0     |
| Trinity Sound Technologies, LLC        | 3.0     |
| Tundra Targeted Therapeutics, Inc.     | 3.0     |
| Voximetry, Inc.                        | 3.0     |
| Wearable Technologies, Inc.            | 3.0     |

| Recipient                | Amount         |
|--------------------------|----------------|
| Wisconsin Telelift, Inc. | \$ 3.0         |
| Yam Education, Inc.      | 3.0            |
| washbnb corporation      | 3.0            |
| <b>Total</b>             | <b>\$128.8</b> |



Appendix 4

**Allocations Made through the Historic Preservation  
Tax Credit Program in FY 2021-22**

| Recipient                             | Project Location | Amount              |
|---------------------------------------|------------------|---------------------|
| Edison School Apartments, LLC         | Milwaukee        | \$ 3,500,000        |
| GenCap Danna Stevens Point 102, LLC   | Stevens Point    | 3,500,000           |
| Zuelke Flats, LLC                     | Appleton         | 3,200,000           |
| Brooke Street Lofts Apartments, LLC   | Fond du Lac      | 3,061,437           |
| LCM Funds 57 Office, LLC              | Milwaukee        | 1,894,334           |
| Barstow Commons, LLC                  | Eau Claire       | 1,825,868           |
| Smith School Lofts Oshkosh, LLC       | Oshkosh          | 1,483,332           |
| Paoli Cheese Factory Association, LLC | Belleville       | 1,392,163           |
| Borger Building, LLC                  | Milwaukee        | 938,987             |
| Wisconsin Leather, LLC                | Milwaukee        | 600,000             |
| Brooke Street Lofts Apartments, LLC   | Fond du Lac      | 588,738             |
| Genisa, LLC                           | Janesville       | 488,783             |
| B&B Acquisitions, LLC                 | Milwaukee        | 463,419             |
| Bradley Simonson                      | Galesville       | 94,000              |
| Archiczech Development Company, LLP   | Cedarburg        | 42,297              |
| Las Palmas Western Wear, LLC          | Milwaukee        | 15,957              |
| <b>Total</b>                          |                  | <b>\$23,089,315</b> |



## Appendix 5

### **Recipients Awarded the Largest Amounts of Grants and Loans in FY 2021-22** (in millions)

| Recipient   | Type  | Amount        |
|---|-------|---------------|
| Milwaukee Development Corporation <sup>1</sup>                    | Grant | \$22.0        |
| Madison Region Economic Partnership, Inc. <sup>1</sup>            | Grant | 11.5          |
| East Central Wisconsin Regional Planning Commission <sup>1</sup>  | Grant | 7.5           |
| West Central Wisconsin Regional Planning Commission <sup>1</sup>  | Grant | 7.0           |
| Bay-Lake Regional Planning Commission <sup>1</sup>                | Grant | 6.0           |
| Mississippi River Regional Planning Commission <sup>1</sup>       | Grant | 4.0           |
| North Central Wisconsin Regional Planning Commission <sup>1</sup> | Grant | 3.5           |
| Northwest Wisconsin Regional Planning Commission <sup>1</sup>     | Grant | 3.5           |
| Southwestern Wisconsin Regional Planning Commission <sup>1</sup>  | Grant | 2.5           |
| Center for Technology Commercialization                           | Grant | 1.5           |
| FluGen, Inc.  | Loan  | 0.8           |
| Wisconsin Center for Manufacturing & Productivity                 | Grant | 0.8           |
| Immuto Scientific, Inc.   | Loan  | 0.5           |
| Northwest Side Community Development Corporation                  | Grant | 0.5           |
| OnLume, Inc.  | Loan  | 0.5           |
| SlingshotVR, Inc.   | Loan  | 0.5           |
| Atrility Medical, Inc.  | Loan  | 0.4           |
| Part Analytics, Inc.  | Loan  | 0.4           |
| The Water Council, Inc.   | Grant | 0.4           |
| WiSys Technology Foundation, Inc.                                 | Grant | 0.4           |
| <b>Total</b>  |       | <b>\$74.2</b> |

<sup>1</sup> Through the Main Street Bounceback Grant program, WEDC awarded grants to nine regional economic development organizations that then awarded \$10,000 grants to businesses.



## Appendix 6

### **Economic Development Awards That Closed, by Program** FY 2011-12 through FY 2021-22

| Program Number | Program Name   | Number of Awards |
|----------------|--|------------------|
| 1              | Business Development Tax Credit  | 84               |
| 2              | Historic Preservation Tax Credit   | 163              |
| 3              | Enterprise Zone  | 7                |
| 4              | Qualified New Business Venture   | 188              |
| 8              | Community Development Investment Grant   | 137              |
| 10             | Brownfields Grant  | 96               |
| 11             | Idle Sites Redevelopment Grant   | 26               |
| 12             | Targeted Industry Projects   | 60               |
| 13             | Small Business Innovation Research/Small Business Technology Transfer Matching Grant | 3                |
| 14             | Capital Catalyst   | 23               |
| 15             | Global Business Development Grant <sup>1</sup>                                       | 444              |
| 16             | Site Assessment Grant  | 90               |
| 17             | Capacity Building Grant  | 103              |
| 18             | Fabrication Laboratories Grant   | 119              |
| 19             | Diverse Business Development   | 18               |
| 20             | Entrepreneurial Micro-Grant  | 8                |
| 21             | ExporTech  | 8                |
| 23             | Disaster Recovery Microloan Grant  | 7                |
| 24             | Workforce Training Grant   | 26               |
| 25             | Technology Development Loan  | 76               |

#### **Programs through Which WEDC No Longer Makes Awards**

|   |        |
|---|--------|
| We're All In Small Business Grant           | 26,118 |
| Ethnic Minority Emergency Grant             | 890    |
| Economic Development Tax Credit             | 274    |
| We're All Innovating Contest                | 227    |
| Jobs Tax Credit                             | 57     |
| Business Expansion and Retention Investment | 48     |
| Seed Accelerator                            | 41     |
| Business Opportunity Loan Fund              | 36     |
| Minority Business Development               | 13     |
| Development Opportunity Zone                | 12     |
| Small Business 20/20                        | 8      |
| Opportunity Research Project                | 5      |

| Program Number | Program Name | Number of Awards |
|----------------|--------------|------------------|
|----------------|--------------|------------------|

**Programs through Which WEDC No Longer Makes Awards**

|  |  |               |
|--|--|---------------|
|  | Emergency Loan Guarantee for Certified Propane Dealers | 4             |
|  | State Energy Program                                   | 4             |
|  | Export Development Grant                               | 3             |
|  | Special Project Loan Fund                              | 3             |
|  | Wisconsin Trade Project                                | 3             |
|  | Export Education Grant                                 | 2             |
|  | Manufacturing Clean Energy Revolving Loan Fund         | 1             |
|  | Legislative Award                                      | 1             |
|  | Milk Volume Production                                 | 1             |
|  | Regional Revolving Loan Fund Expansion                 | 1             |
|  | Technology Matching Grant                              | 1             |
|  | <b>Total</b>   | <b>29,439</b> |

<sup>1</sup> Includes International Market Access Grant and Collaborative Market Access Grant.

## Appendix 7

### **Activity of WEDC's Economic Development Programs** FY 2021-22

This appendix provides information on the reported activity of WEDC's 30 economic development programs in FY 2021-22. Statutes define an economic development program as a program or activity that has the primary purpose of encouraging the establishment and growth of business in Wisconsin, including the creation and retention of jobs.

The programs are organized by award type. Definitions of key terms follow.

**Program Number** provides a numerical reference created by the Legislative Audit Bureau for each program and is also used in other appendices.

**Program** provides the designated name for each economic development program.

**Program Activity** describes the activity of economic development programs, as reported by WEDC.

| Program Number | Program  | Program Activity in FY 2021-22  |
|----------------|--|---|
| 1              | Business Development Tax Credit  | Allocated \$28.7 million in 33 tax credit awards.   |
| 2              | Historic Preservation Tax Credit   | Allocated \$23.1 million in 16 tax credit awards.   |
| 3              | Enterprise Zone  | No contracts were executed in FY 2021-22.   |
| 4              | Qualified New Business Venture   | Certified 37 new businesses.  |
| 5              | Angel Investment Tax Credit  | Awarded tax credits to investors in an estimated 58 businesses totaling an estimated \$7.2 million in calendar year 2021. |
| 6              | Early Stage Seed Investment Tax Credit   | Awarded tax credits to investors in an estimated 31 businesses totaling an estimated \$5.0 million in calendar year 2021. |
| 7              | Main Street Bounceback Grant   | Provided 9 grants to regional economic development organizations totaling \$67.7 million.                                 |
| 8              | Community Development Investment Grant   | Provided 41 grants totaling \$8.6 million.  |
| 9              | Entrepreneurship Partner Grant   | Provided 24 grants totaling \$2.7 million.  |
| 10             | Brownfields Grant  | Provided 9 grants totaling \$2.2 million.   |
| 11             | Idle Sites Redevelopment Grant   | Provided 7 grants totaling \$1.8 million.   |
| 12             | Targeted Industry Projects   | Provided 12 grants totaling \$1.6 million.  |
| 13             | Small Business Innovation Research/Small Business Technology Transfer Matching Grant | Assisted 18 businesses through the Center for Technology Commercialization.   |
| 14             | Capital Catalyst   | Provided 4 grants totaling \$1.4 million.   |
| 15             | Global Business Development Grant  | Provided 54 grants totaling \$1.1 million.  |
| 16             | Site Assessment Grant  | Provided 8 grants totaling \$781,300.   |
| 17             | Capacity Building Grant  | Provided 9 grants totaling \$599,700.   |
| 18             | Fabrication Laboratories Grant   | Provided 21 grants totaling \$508,000.  |
| 19             | Diverse Business Development   | Provided 9 grants totaling \$383,000.   |
| 20             | Entrepreneurial Micro-Grant  | Assisted 140 businesses through the Center for Technology Commercialization.  |
| 21             | ExporTech  | 21 businesses completed the 12-week program.  |
| 22             | Wisconsin Investment Pilot Program   | Provided 1 grant totaling \$37,500.   |
| 23             | Disaster Recovery Microloan Grant  | No grants were executed in FY 2021-22.  |



| Program Number | Program                             | Program Activity in FY 2021-22   |
|----------------|-------------------------------------|--|
| 24             | Workforce Training Grant            | No grants were executed in FY 2021-22.   |
| 25             | Technology Development Loan         | Provided 15 loans totaling \$4.8 million.  |
| 26             | Business Development Loan           | No loans were executed in FY 2021-22.  |
| 27             | Industrial Revenue Bonding          | Authorized \$53.4 million in bonding for 3 municipalities.   |
| 28             | Main Street and Connect Communities | Provided assistance to 34 Main Street Communities and 84 Connect Communities; provided technical assistance to 136 businesses. |
| 29             | Certified Sites                     | No new sites were certified in FY 2021-22.   |
| 30             | Global Trade Venture Program        | Led 5 global trade ventures and assisted 32 businesses.  |



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## Response

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August 25, 2023

Mr. Joseph Chrisman  
State Auditor  
Legislative Audit Bureau  
22 E. Mifflin Street, Suite 500  
Madison, WI 53703

Dear Mr. Chrisman:

Thank you for the opportunity to respond to the Legislative Audit Bureau's (LAB's) financial and program evaluation of the Wisconsin Economic Development Corporation (WEDC). The WEDC team appreciates the professionalism and cooperation your staff has exhibited during this review. As with prior audits, management will formally discuss your report with WEDC's Audit and Budget Committee and Board of Directors within the next few months and will provide a plan for addressing the recommendations contained in this audit and reporting to the Joint Legislative Audit Committee by Dec. 6, 2023.

WEDC strives to maximize opportunities in Wisconsin for people, communities, and businesses to thrive. Along with assisting businesses and communities in our state, WEDC is committed to providing the highest levels of transparency, accountability, and operational excellence. Focus on continuous process improvement efforts in achieving these goals has increasingly defined who we are as an organization.

#### Financial Management

WEDC's financial reporting and controls continue to be strong. An independent audit of WEDC's fiscal year 2022 financial statements conducted by Sikich LLP resulted in a clean audit opinion and found no internal control deficiencies in our financial reporting. For the 10th consecutive year, WEDC received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers' Association of the United States and Canada. This certificate is the highest form of recognition in governmental accounting and financial reporting. WEDC has also received its first Distinguished Budget Presentation Award for its FY23 Operations and Budget Plan. The award reflects the commitment of the WEDC staff to meeting the highest principles of governmental budgeting.

Thank you for acknowledging WEDC's commitment and efforts. LAB's report does not contain any recommendations relating to WEDC's financial administration and controls.

#### Program Administration

**LOOK FORWARD** ➤

WEDC is dedicated to robust program administration, including the creation and maintenance of program guidelines and procedures. LAB's identification of potential improvements and clarifications helps WEDC in this effort.

WEDC administered grant programs supported by supplemental federal funding from March 2020 through June 2023. Through these three programs, WEDC deployed \$162.5 million in grants to more than 35,500 Wisconsin businesses and the communities in which they reside. LAB's review of these federally-funded programs identified five grants which may need to be recaptured. WEDC will work with the Department of Administration to determine appropriate next steps and will report to the Joint Legislative Audit Committee by Dec. 6, 2023.

LAB has emphasized the importance of evaluating WEDC's programs and impacts. WEDC agrees and recognizes that evaluation of programs is critical to determining the best means of deploying its resources. To this end, WEDC is improving internal program evaluation processes and plans to engage a third party to evaluate the Business Development Tax Credit Program. Evaluation processes will include, but will not be limited to, establishing criteria for evaluating each program's success that are quantitative, measurable, and aligned with goals, both for the program and for WEDC's strategic investment priorities.

### Transparency

WEDC is committed to transparency and to providing its data in a meaningful, accessible manner for stakeholders and the public to understand. LAB's report acknowledges improvement regarding the online data within our Annual Report on Economic Development (ARED). Making the data and information clear and user-friendly is a priority as WEDC evaluates the information reported to the public. In addition, WEDC will continue to report to the Joint Legislative Audit Committee its financial loan activity and will ensure information about meetings of the Board of Directors is published in a timely manner.

WEDC management will work collaboratively with the Audit and Budget Committee and Board of Directors to establish responses and timelines for responding to LAB's recommended changes. WEDC will report to the Joint Legislative Audit Committee by Dec. 6, 2023, on efforts to implement the recommendations of this audit report.

Again, thank you for LAB's constructive approach in working on this report.

Sincerely,



Melissa L. Hughes  
Secretary and CEO