



TO: Members, Joint Legislative Audit Committee

FR: Paul F. Jadin, CEO/Secretary

DT: October 15, 2012

RE: Report on Program Identification for Annual Report on State Economic Development Programs

I am pleased to submit this report in accordance with the recommendation of the Legislative Audit Bureau (LAB) in its June 2012 report on state economic development programs, which suggested that the Wisconsin Economic Development Corporation (WEDC), after providing guidance to the other state agencies that administer economic development programs, report to the Committee on the reasons why any programs were excluded from the October 2012 annual report on state economic development programs.

In evaluating economic development programs from the previous two biennia and the October 2010 annual report on state economic development programs, the LAB identified incomplete reporting on program results, including expected and actual outcomes.

WEDC utilized the LAB's findings as the foundation to build its inaugural report on economic development programs in October 2012. WEDC viewed this first report as an opportunity to provide a report that was more readable, concise, and useful to policymakers and the public, and to ensure that each of the statutory requirements of the report was accounted for. Those statutory requirements include:

- a description of the program;
- a comparison of expected and actual program outcomes;
- the number of grants made under the program;
- the number of loans made under the program;
- the amount of each grant and loan made under the program;
- the recipient of each grant or loan made under the program; and
- any recommended changes to the program.

WEDC made it a priority for its October 2012 report to include unprecedented levels of information on expected and actual program results. Furthermore, the WEDC report includes information beyond that required by state statute, including the location and the industry classification of each award recipient, the amount of tax benefits allocated and verified by a program in the prior fiscal year, and the recipients of tax benefits allocated and verified under a program.



1000 Wisconsin Avenue  
Madison, WI 53703

PH: 608-261-1400  
TOLL FREE: 1-800-342-7500

608.271.6250  
555 N WISCONSIN  
MADISON, WISCONSIN 53703

## Program Identification

As stated in the LAB's June 2012 report, state agencies did not provide information on a number of programs in the October 2010 report. One of the primary reasons is the uncertainty as to whether a program meets the statutory definition of an economic development program.

To address this issue, the June 2012 report included recommendations that WEDC:

- work with the departments of Agriculture, Trade and Consumer Protection, Natural Resources, Tourism, and Transportation; the University of Wisconsin System; the Wisconsin Housing and Economic Development Authority; and the Wisconsin Technical College System to determine the particular programs to include in the October 2012 economic development report; and
- report to the Joint Legislative Audit Committee by October 15, 2012, on the reasons why any programs were excluded from the October 2012 economic development report.

As I stated in my response letter that was included in the June report, WEDC welcomed the recommendation and appreciated the designation of WEDC as the state's lead economic development agency.

The following provides background on the issue, a summary of our communications with the other agencies, the list of programs included in the October 2012 report, and the list and explanation of programs excluded.

I would like to acknowledge the leaders and staff of the agencies for their cooperation in this effort.

## Background

According to the June LAB report, 139 state economic development programs were in existence as of June 2011.

It is important to note that for the most part, this inventory of economic development programs is based on the 2006 LAB report on state economic development programs and predates the statutory definition of an economic development program.

Not until the enactment of 2007 Act 125 did a statutory definition exist, which defines an economic development program as a program or activity having the "**primary purpose of encouraging the establishment and growth of business in this state, including the creation and retention of jobs.**"

However, while the statutes supply a useful guide for identifying economic development programs, there remain several instances where interpretation is required, often when attempting to determine a program's primary purpose, or in considering whether job creation is more byproduct than direct objective.

In fact, the June 2012 LAB report acknowledges that, "Although statutes provide a definition of economic development programs, state agencies sometimes appear to be uncertain about whether particular programs meet that definition" (p. 78).

One issue is that while several programs have been eliminated or created since 2006, there had not been an effort to catalogue state economic development programs *with respect to the new statutory definition*. As a result, the 2006 list continued to be the basis for reports, including the June 2012 report. The impact for agencies is that they continue to be subject to criticism for not reporting on programs even though those programs may not meet the statutory definition.

Conversely, the LAB report indicates that in past years agencies have reported on programs that did not meet the statutory definition of an economic development program, noting the former Department of Commerce's inclusion of the Diesel Truck Idling Reduction grant program, whose primary purpose is to reduce negative environmental impacts. However, it is on those same grounds that the Department of Natural Resources has long held that several of its programs are not economic development programs.

The aim of our effort, as recommended by the LAB, was to assist agencies in adopting a clear and consistent application of the statutory definition of an economic development program when determining which programs to include in the annual report.

### WEDC Guidance

Following the June 2012 report, WEDC communicated with leadership of the agencies including the Department of Administration, provided a list of their portion of the 139 economic development programs, and requested:

- a listing of any additional economic development programs currently in the agency that were not identified in the LAB's inventory.
- program goals and accountability measures in accordance with statutory requirements for each economic development program.
- an explanation why any of the activities in the list of programs should not be considered an economic development program as defined by state statute.

WEDC asked agencies to consider the statutory definition of an "economic development program" as a program or activity having the primary purpose of encouraging the establishment and growth of business in this state, including the creation and retention of jobs, and that satisfies all of the following:

- The program receives funding from the state or federal government that is allocated through an appropriation under ch. 20.
- The program provides financial assistance, tax benefits, or direct services to specific industries, businesses, local governments, or organizations.

### Agency Response and WEDC Feedback

Accounting for transfers of programs enacted in 2011 Act 32 (biennial budget), the eight agencies (excluding WEDC) administered 80 of the 139 programs that existed in June 2011.

In their initial responses to WEDC, the agencies identified seven programs that should be newly added to the October 2012 report, and 24 programs that should not be included. Of those 24,

20 were suggested for exclusion due to failure to meet the definition of an economic development program, while the other four were indicated to be deleted or inactive.

WEDC evaluated the agency responses, and again corresponded with each agency.

In the instances where WEDC was inclined to agree with an agency's conclusion that a program did not qualify because its primary purpose was not economic development, WEDC asked that they provide detail in a program mission statement or statutory reference explaining the actual primary purpose of the program.

On another occasion WEDC asked an agency to consider adding programs that were believed exempt because they served a specific industry rather than the business community at large.

WEDC also made an effort to provide greater clarity by suggesting that agencies consider excluding programs whose primary function is not encouraging the establishment and growth of business, but is rather a secondary activity like research, education or marketing. While the existence of a website, promotional materials and other such activities can be argued to lead toward an impact on economic growth, as much could be said for hundreds of state government programs from highway rehabilitation to perch stocking.

It is likewise reasonable to conclude that "programs" which in fact are staff positions whose job duties direct businesses toward measurable, reported programs are not in themselves economic development programs as defined by the Legislature in statute.

While the LAB recommended that WEDC help determine the proper programs for the annual report, WEDC understands it has no explicit authority but to allow the agency heads who have intimate knowledge of their program operations and purpose to make a final determination.

After this second consultation, agencies were asked to provide program information to allow WEDC staff to compile the October 2012 report.

The following tables provide information by agency on: the programs that existed in June 2011 as identified by the LAB (including programs that had since transferred to the agency as a result of 2011 Act 32); the programs included in each agency's annual report for October 2012; and a brief explanation of the exclusion of any program from the October 2012 report.

**Department of Agriculture, Trade and Consumer Protection**

<b>Programs Existing as of 6/11</b>	<b>E.D. Programs in 10/12 Report</b>	<b>Reason for Exclusion</b>
Agricultural Business Development and Technical Assistance	Agricultural Business Development and Technical Assistance	
Agricultural Development and Diversification Grants	Agricultural Development and Diversification Grants	
Agriculture Innovation and Development Center Value Added Services Funding	Agriculture Innovation and Development Center Value Added Services Grants	
Alice in Dairyland		Primary purpose is not economic development
Aquaculture Assistance		Primary purpose is not economic development
Beginning Farmer and Farm Asset Owner Tax Credit	Beginning Farmer and Farm Asset Owner Tax Credit	
	Beginning Farmer, Minority and Underserved Farmer Assistance (new - previously under ABDTA)	
Buy Local, Buy Wisconsin Grant Program	Buy Local, Buy Wisconsin Grant Program	
Buy Local, Buy Wisconsin Technical Assistance	Buy Local, Buy Wisconsin Technical Assistance	
Call Center and Consulting Services		Primary purpose is not economic development
Dairy Business Initiative	Dairy Business Initiative	
Dairy Business Innovation Center	Dairy Business Innovation Center	
Dairy Value Added Processor Revolving Loans	Dairy Value Added Processor Revolving Loans	
Dairy Manufacturing Facility Investment Tax Credit for Cooperatives Program (from Commerce)	Dairy Manufacturing Facility Investment Tax Credit for Cooperatives Program (from Commerce)	
Dairy Manufacturing Facility Investment Credit for Non-Cooperatives Program (from Commerce)	Dairy Manufacturing Facility Investment Credit for Non-Cooperatives Program (from Commerce)	
Farm Link Program		Primary purpose is not economic development
Farm to School Grants		No appropriation
Farm to School Technical Assistance	Farm to School Technical Assistance	
Food Processing Plant and Food Warehouse Investment Credit Program (from Commerce)	Food Processing Plant and Food Warehouse Investment Credit Program (from Commerce)	
Grazing Lands Conservation Initiative Grants		Primary purpose is not economic development

	Grow Wisconsin Dairy 30 x 20 (formerly Dairy 2020 Initiative and Grants)	
International Agribusiness Center	International Agribusiness Center	
Marketing and Promotion Activities		Primary purpose is not economic development
Meat Processing Facility Investment Credit Program (from Commerce)	Meat Processing Facility Investment Credit Program (from Commerce)	
Organic Certification Cost-Share Program	Organic Certification Cost-Share Program	
Rural Business Enterprise Loans		Inactive
SavorWisconsin.com	SavorWisconsin.com	
Something Special from Wisconsin	Something Special from Wisconsin	
Special Agricultural Facilities Grants		One-time allocation; no appropriation
Specialty Crop Block Grants	Specialty Crop Block Grants	
Specialty Meat Development Center	Specialty Meat Development Center Grants	
	Specialty Meat Development Center Technical Assistance	
Stray Voltage Program		Primary purpose is not economic development
Woody Biomass Tax Credit Program (from Commerce)	Woody Biomass Tax Credit Program (from Commerce)	

Excluded programs:

- "Alice in Dairyland" - Wisconsin's "Agriculture Ambassador", a full-time public relations official of DATCP
- Aquaculture Assistance – the Wisconsin Aquaculture Industry Advisory Council meets quarterly to advise DATCP, DNR, other agencies and the UW System on aquaculture issues.
- Call Center & Consulting Services – provides technical assistance including mediation and arbitration services, and employment and retraining counseling
- Farm Link Program – provides technical assistance in the transfer of farm operations
- Grazing Lands Conservation Initiatives Grant – DATCP annually provides a grant for technical education and research under the Wisconsin grazing lands conservation initiative
- Marketing and Promotion Activities – activities ancillary to economic development
- Stray Voltage Program – DATCP is required to develop and distribute educational materials on stray voltage, study the need for state action necessary to protect public health from the harmful effects of stray voltage, and impose annual fees on rural electric cooperatives.

### Department of Natural Resources

Programs Existing as of 6/11	E.D. Programs in 10/12 Report	Reason for Exclusion
Brownfield Site Assessment Grant Program		Transferred to WEDC
Dry Cleaner Environmental Response Fund Program		Primary purpose is not economic development
Ready for Reuse Revolving Loan Funds and Grants		Primary purpose is not economic development
Wisconsin Plant Recovery Initiative Assessment Monies Program		Primary purpose is not economic development

Excluded programs:

- Dry Cleaner Environmental Response Fund Program – primarily an environmental program that reimburses the investigation and cleanup costs of contamination caused by dry cleaning chemical discharges
- Ready for Reuse Revolving Loan Funds and Grants – primarily an environmental program used for environmental cleanup of hazardous substances or petroleum at brownfields statewide
- Wisconsin Plant Recovery Initiative Assessment Monies Program – primarily an environmental program that aids local governments and others in investigating brownfields statewide

### Department of Transportation

Programs Existing as of 6/11	E.D. Programs in 10/12 Report	Reason for Exclusion
Disadvantaged Business Enterprise Assistance	Disadvantaged Business Enterprise Assistance	
Transportation Economic Assistance	Transportation Economic Assistance	
Mobilization Loan Guarantee	Mobilization Loan Guarantee	

### Department of Tourism

Programs Existing as of 6/11	E.D. Programs in 10/12 Report	Reason for Exclusion
Centralized On-line Database/Marketing		Primary purpose is not economic development
Co-op Advertising		Primary purpose is not economic development
Joint Effort Marketing Grants	Joint Effort Marketing Grants	
	Meetings Mean Business (new)	
Ready, Set, Go! Grants	Ready, Set, Go! Grants	
Regional Tourism Specialists		Primary purpose is not economic development

Tourist Information Center Grants		Primary purpose is not economic development
Travel Green Wisconsin		Primary purpose is not economic development
Film Production Tax Credit (from Commerce)	Film Production Tax Credit (from Commerce)	

Excluded programs:

- Centralized On-line Database/Marketing – promotional website ancillary to economic development
- Co-op Advertising - offers discounted advertising rates, including newspaper, Internet and print materials
- Regional Tourism Specialists – consists of staff providing planning and marketing assistance to local governments and nonprofits
- Tourist Information Center Grants – supports operation of information centers and marketing materials
- Travel Green Wisconsin – promotes organizations that voluntarily reduce waste and energy use

**University of Wisconsin System**

<b>Programs Existing as of 6/11</b>	<b>E.D. Programs in 10/12 Report</b>	<b>Reason for Exclusion</b>
Agriculture and Natural Resources Extension	Agriculture and Natural Resources Extension	
Business Success Center (formerly the Center for Community Partnerships)	Business Success Center (formerly the Center for Community Partnerships)	
Center for Community Economic Development	Center for Community Economic Development	
Center for Dairy Profitability	Center for Dairy Profitability - UW-Madison	
Center for Economic Research		Primary purpose is not economic development
Center for Innovation and Development	Center for Innovation and Development - UW-Stout	
Community, Natural Resource, and Economic Development	Community, Natural Resource, and Economic Development	
Family Business Center		Primary purpose is not economic development
Northern Aquaculture Demonstration Facility		Primary purpose is not economic development
Northwest Wisconsin Manufacturing Outreach Center	Northwest Wisconsin Manufacturing Outreach Center	
Office of Corporate Relations	Office of Corporate Relations	
Platteville Business Incubator	Platteville Business Incubator	
Small Business Development Centers	Wisconsin Small Business Development Center Network	



Stout Technology and Business Incubator	Stout Technology and Business Incubator	
University Research Park	University Research Park	
UW E-Business Consortium	UW E-Business Consortium - UW-Madison	
Wisconsin Center for Dairy Research	Wisconsin Center for Dairy Research - UW-Madison	
Wisconsin Entrepreneurs' Network	Wisconsin Entrepreneurs' Network	
Wisconsin Family Business Forum		Primary purpose is not economic development
Wisconsin Innovation Service Center	Wisconsin Innovation Service Center	
	Discovery Center - UW-Stout	

Excluded programs:

- Center for Economic Research (UW River Falls) – primary activities include assisting faculty in the pursuit of research grants, and identifying and assisting research projects including regional economic impact studies and other client projects
- Family Business Center – a membership organization run through UW-Madison providing educational programming to help business-owning families successfully transfer ownership from one generation to the next. The program is funded not through a ch. 20 appropriation but by members and sponsors.
- Northern Aquaculture Demonstration Facility – activities of the program include demonstrating production-scale aquaculture, conducting applied research, providing outreach and extension services, and providing training, workshops and educational opportunities.
- Wisconsin Family Business Forum – a UW-Oshkosh partnership providing family business owners, associates, and professionals with educational programming, networking, peer groups and resources. The program is funded not through a ch. 20 appropriation but by members and sponsors.

### Wisconsin Housing and Economic Development Authority

Programs Existing as of 6/11	E.D. Programs in 10/12 Report	Reason for Exclusion
Agribusiness Loan Guarantee	Agribusiness Loan Guarantee	
Credit Relief Outreach Program Guarantee	Credit Relief Outreach Program Guarantee	
Farm Asset Reinvestment Management Guarantee	Farm Asset Reinvestment Management Guarantee	
Linked Deposit Loan Subsidy		Inactive
Neighborhood Business Revitalization Guarantee		WHEDA-funded*
New Market Tax Credit Activities		WHEDA-funded*
Other Dividends for Wisconsin Activities		Inactive
Small Business Development Loan Guarantee	Small Business Development Loan Guarantee	
	SSBCI Program – Wisconsin	

	Venture Debt Fund	
	SSBCI Program – Wisconsin Equity Investment Fund	
	SSBCI Program – Capital Access Program	
	SSBCI Program – Loan Guarantee	
	WDRF – Drought Relief Guarantee	
	WDRF – Recycling Loan Guarantee	
	WDRF - Target Area Fund	
	WDRF - Tourism Fund	

Excluded programs:

- Neighborhood Business Revitalization Guarantee & New Market Tax Credit Activities are WHEDA-funded. The statutory definition of an economic development program is one that "receives funding from the state or federal government that is allocated through an appropriation under ch. 20."

### Wisconsin Technical College System

Programs Existing as of 6/11	E.D. Programs in 10/12 Report	Reason for Exclusion
Advanced Manufacturing Solutions		Primary purpose is not economic development
Workforce Advancement Training Grants	Workforce Advancement Training Grants	

Excluded program:

- Advanced Manufacturing Solutions - the primary purpose of AMS is to build the pipeline interest and college training capacity necessary to develop a 21st century manufacturing workforce. This is accomplished through several mechanisms, including: funding curriculum development of college programs related to manufacturing; funding professional development of college faculty, including advanced manufacturing skills and sustainability practices; creating a manufacturing awareness initiative that includes sponsoring related annual events; funding high school faculty professional development in manufacturing skills; and outreach to middle school and high school students and their parents through training camps, robotics competitions, promotion of the SkillsUSA competition, and promoting and supporting the Gold Collar Career Web portal.

**Department of Administration**

<b>Programs Existing as of 6/11</b>	<b>E.D. Programs in 10/12 Report</b>	<b>Reason for Exclusion</b>
	American Indian Economic Development Technical Assistance Grant	
Disabled Veteran-Owned Business Certification Program (from Commerce)		Primary purpose is not economic development
Women-Owned Business Certification Program (from Commerce)		Primary purpose is not economic development
Minority Business Certification Program (from Commerce)		Primary purpose is not economic development
Minority and Disabled Veteran-Owned Business Assistance Program (from Commerce)		Primary purpose is not economic development

Excluded programs:

- Business certifications – these programs review and certify business ownership for eligibility for procurement opportunities. While this activity was more difficult to assess under the existing definition of economic development program as there is an indirect benefit to the business, perhaps most informative is the 2011 Act 32 transfer of these functions to DOA from the economic development agency, suggesting that policymakers do not view the certification activities as economic development programs. It is also worth noting that annual reports are provided to policymakers and the public, so an element of measurement and accountability continues to exist for these programs.