

Testimony of Secretary Paul Jadin  
Joint Committee on Finance  
2011-13 Biennial Budget  
April 6, 2011

Thank you Co-chairs Darling and Vos, and committee members for the opportunity to speak to you today to discuss Governor Walker's budget proposal for the Department of Commerce.

Throughout the past week you have listened to cabinet secretaries speak about their agencies' budgets in the context of Governor Walker's main priorities – to erase an enormous deficit by bringing spending in line with revenue in a manner that protects core services, and in doing so create a climate for the creation of 250,000 private sector jobs over the next four years. While every executive branch agency has its role to play in achieving those goals, the task for job creation will largely fall on the Wisconsin Economic Development Corporation. I am eager to embrace this mission.

The Governor's budget bill represents the second stage in reforming the state's economic development efforts. As you know, the WEDC was created in Wisconsin Act 7 earlier this year. Understandably, many of you had questions about the structure and business plan of the WEDC. While we continue gathering input and feedback from both internal and external stakeholders throughout the state, I will gladly share some insights on our strategic plan. While these are not specific provisions of the budget bill, I believe your interest in those details makes it appropriate to discuss at this time. My leadership team is attempting to meet with each of you or your staff through the days and weeks ahead, and we will keep you continually updated throughout this process.

While the transition to the WEDC is the centerpiece of the Commerce budget provisions, I will also touch on other items that encourage more investment in Wisconsin businesses, as well as the transfers of the remaining Commerce functions to other state entities.

#### Wisconsin Economic Development Corporation

Again, the hallmark of the Governor's economic development agenda is in the transfer of economic and community development personnel and functions to the Wisconsin Economic Development Corporation. In the WEDC, Wisconsin will have an economic development arm whose singular focus is on job creation, and one that will devote its attention and resources to creating high growth, high wage job opportunities. We will provide a more effective, more responsive and more expanded array of resources to assist businesses from start-up to expansion in all industries and regions of Wisconsin. With increased funding and program flexibility, the WEDC will be able to utilize creative, custom solutions to better match the needs of its employer clients.

The WEDC will provide the public not only with a better return on its economic development investment, but with unprecedented accountability in the process. The private sector mentality

of the WEDC demands performance-driven measurement. This performance management system will have clear and measurable economic development goals. Comprehensive reports, open meeting compliance and other transparency efforts will further support accountability. These accountability measures are provisions that were created in Act 7, not in the budget bill, but their importance – along with the WEDC’s utmost commitment to the public – merits another mention.

As to the funding of the WEDC, Governor Walker’s budget makes a necessary investment in the one area that legislators and Wisconsin residents agree on as the most critical need in our state – job creation and economic development.

The funding level provided in the budget will allow Wisconsin to merely narrow the gap compared to neighboring states when it comes to per capita investment in economic development. According to an organizational competitiveness study of the Department of Commerce that was required as a provision of the 2009-11 budget bill, Wisconsin has both the lowest economic development operating budget and marketing budget per capita among the ten states analyzed.

Those facts have consequences. Not coincidentally, the Wisconsin Department of Commerce created the fewest new jobs per capita among competitor states. However, it is important to note that Commerce compared more favorably considering new jobs as a ratio of its operating budget. In other words, the ability for Wisconsin’s economic development efforts to reach a new level of achievement depends both on the structure and the funding provided in this bill.

In a difficult budget climate, this commitment to economic development will spur job creation and raise household and individual income for Wisconsin workers. It will increase the local property tax base and state revenue collections that will help government fund its core services from education to health care, even while reducing the tax burden on families and businesses.

The assistance provided by the WEDC will not be limited to private employers alone. WEDC will continue administering important programs like Brownfields grant administration and the Community Development Block Grant that help make blighted areas suitable for redevelopment and fund important community infrastructure projects.

Keeping the promise made to Wisconsin families that job growth is our top priority means supporting the Governor’s funding level for economic development activities.

### WEDC Structure and Planning

Since the beginning of the session, anticipating the eventual passage of legislation creating the WEDC, I and many current Commerce staff have devoted countless hours to planning for a smooth transition to a highly effective WEDC.

In addition to internal feedback and input from the professionals at Commerce, we have conducted many hours of planning sessions and dialogue with stakeholders at the municipal, county and regional level of economic development. Both within Commerce and across the state, there has been a great deal of excitement and optimism generated by this endeavor.

Our outreach will continue as we meet with lawmakers and take part in additional listening sessions throughout the state, all of which is planned for the weeks ahead. So while I can speak to the envisioned framework of the WEDC, know that we continue to solicit the feedback of key stakeholders. More importantly, the entirety of our plan is of course subject to approval of the WEDC Board, which will consist of significant representation by your legislative colleagues and their appointees.

According to our draft concept, the Board will oversee an organization led by a CEO, COO and other key executive personnel, with six departments covering every aspect of economic development. These departments will focus on business development activities to support growth of existing businesses; entrepreneurial and start-up assistance; support for targeted industries that can provide Wisconsin with exceptional job creation opportunities; robust marketing efforts that direct their energies to in-state business customers as well as out-of-state prospects for business attraction; business climate improvements through the development and advocacy of pro-growth policies and pursuit of funding opportunities; and the administrative capabilities to write contracts, track compliance and measure ourselves against ambitious benchmarks that we will set for ourselves and for the taxpayers supporting our mission.

Our stakeholder meetings will help us drive decisions on where we direct our funding, but although one benefit of the WEDC structure is the ability to attract and reward top talent, we expect that our operating expenses will be in line with the current year's expenditures by the Department of Commerce. While we must ensure that our operations are funded at a level that will help us succeed, most of our additional funding will take the form of aids for financial and technical assistance.

This leads to another topic that is on the minds of many who wonder what form the WEDC's resources will take. First, the budget bill transfers the Department of Commerce's administration of our economic development tax credit programs – from enterprise zones to angel credits and everything in between – to the WEDC.

With regard to grants and loans, the budget provides WEDC the ability to tailor its resources to address the specific needs of each business that requires assistance. The ability to quickly and effectively put together a customized package of assistance to an employer will give Wisconsin the ability to compete with the many states that currently have that capability. This capacity to provide a rapid response is about more than interstate competition – it will also enable us to more promptly throw out a lifeline to a Wisconsin business when lengthy delays can cost family-supporting jobs.

The absence of tight, statutory restrictions will also benefit our community development efforts. Rather than restrict our aid based on several small appropriations in rigid silos, the WEDC will have the ability to assist more community projects than is currently allowed. Conversely, in years where fewer applications are submitted, the funding that would have been dedicated to those efforts will not go unused but could be directed toward a different community or business development project.

Again, in all areas of our strategic plan, keep in mind that while this bill maximizes the ability of WEDC to spur economic growth, you and your colleagues will continue to have a significant oversight role through membership on the WEDC Board. I look forward to that partnership.

### Tax Provisions

The budget bill's focus on job creation is not limited to the WEDC mission. As Secretary Huebsch and Secretary Chandler may have mentioned in their comments to you, the Governor proposes to provide a tax exemption for capital gains on investments in Wisconsin-based businesses that are held for at least five years, and reinvested in state businesses. The WEDC will be tasked with certifying businesses as Wisconsin-based, analyzing levels of payroll and property in our state.

From a start-up looking to get off the ground to an established business prepared to expand, Wisconsin businesses of all sizes need greater access to capital. These changes make investment in Wisconsin-based businesses more attractive, boosting the ability for companies to grow and create job opportunities for Wisconsin workers.

The budget also expands the eligibility of the jobs tax credit to higher-wage jobs than is currently allowed. Given the goal we all share of raising the per capita income rate in Wisconsin, our economic development efforts should not discriminate against job opportunities at the higher end of the pay scale.

### Transfers to Other Agencies

Lastly, as the WEDC prepares to take on economic development activities, other responsibilities currently in the Department of Commerce will transfer to other agencies.

Under the Governor's budget proposal, the Division of Safety and Buildings and the Division of Environmental and Regulatory Services will transfer to the new Department of Safety and Professional Services, while housing positions and programs will transfer to the Wisconsin Housing and Economic Development Authority. I and my staff are already working with Secretary Ross and Director Winston to coordinate our efforts toward a smooth transition.

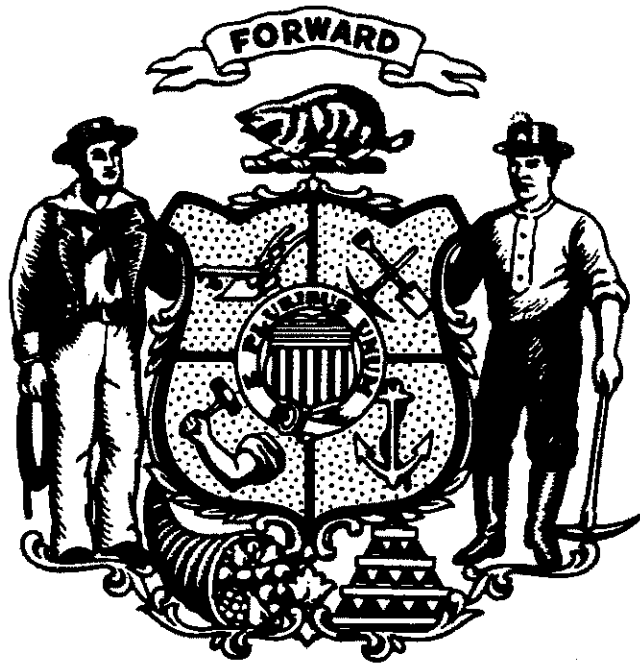
The reorganization of these divisions and programs to agencies with a focus on regulatory and housing activities, respectively, provides a more appropriate location for these functions, enabling the WEDC to forge ahead on its charge to promote private sector job creation.

### Conclusion

That newly-singular focus on economic development activity is but one way in which the WEDC will turn areas of prior weakness at Commerce into strengths. We will have organizational stability; strong regional and local partnerships; unprecedented coordination with workforce development agencies; attention to economic development in every corner of the state; and full transparency in public investments with strong performance measures and accountability.

Over the past few months, I've told legislators that while the WEDC is a critical game-changer for Wisconsin's economic future that has generated an amazing amount of excitement statewide, our success will be largely dependent on the tools we receive from lawmakers. I stand confident that we will work together to give present and future Wisconsin industries of all sizes the assistance they need to grow, expand and thrive.

Thank you for your attention. I'll be glad to respond to any comments or questions at this time.



# **WEDC Strategic Plan**

**April 6, 2011**

**DRAFT**

## Mission

To elevate the Wisconsin economy to be the best in the world by providing a positive business climate, world-class support services, and economic development tools that accelerate business start-up and growth.

## Core Values

1. **Be Bold.** WEDC was established to align and lead Wisconsin's economic development efforts. WEDC will embrace this role by establishing a vision for Wisconsin economic development, aligning economic development strategies, launching innovative, bold solutions, implementing state of the practice infrastructure tools, and being the lead advocate for Wisconsin business.
2. **Focus on the Core Customer – Wisconsin Business.** WEDC exists to serve business in Wisconsin. All performance metrics, systems, staffing, and operations are dedicated to advancing this customer group. Wisconsin businesses will be actively engaged in WEDC planning, leadership, and operations.
3. **Operate as an Extended Enterprise.** WEDC is a part of a larger, cooperative network of economic development organizations in the state. These partners share the WEDC mission and metrics and are engaged in WEDC operations planning and service delivery.
4. **Measure and Be Accountable.** WEDC policy choices and investments will be data-driven, measured and evaluated to ensure maximum return for the WEDC investment. WEDC will provide a level of transparency and accountability unprecedented for economic development in the state of Wisconsin.
5. **Leverage Core Strengths.** WEDC has unique core competencies that include:
  - Representing the Governor, and designation as the lead economic development organization for Wisconsin
  - Ability to routinely engage industry and government leaders in ways that others cannot
  - Ability to acquire and deploy significant resources to advance economic developmentWEDC will leverage these competencies while engaging partners in ways that utilize their unique core competencies.

## Key Performance Indicators

### Key Performance Indicators – State Level Output Targets

1. Create 250,000 net new jobs by January 2015
2. Rank in the top 10 of business start-ups by 2016
3. Rank in the top 10 of business expansions by 2016
4. Move from 48 to the top quartile of Forbes business climate rankings by 2016
5. Create net growth in all regions of the state of Wisconsin
6. Increase total R&D spending in the state by 50% by 2016
7. Increase exports by 50% by 2016

### Key Performance Indicators – WEDC and Network Performance Targets

1. Double the number of businesses assisted by 2015
2. Generate measurable reported benefit for 90% of businesses assisted
3. Produce a high customer satisfaction rating for businesses assisted
4. Move Wisconsin into the top 5 of site selection rankings among the Midwest states
5. Achieve top 10 Return on Investment ranking in the country (jobs created per economic development dollar, or businesses impacted per economic development dollar)

## Core Strategies

The following strategies are employed by WEDC to achieve 250,000 jobs and the other key performance goals established for the state of Wisconsin and the Wisconsin economic development network.

**Strategy 1: *Create a world-class, high performing economic development network*** in Wisconsin to drive business start-up, retention, and expansion.

Wisconsin has many economic development resources but recent studies indicate that the entities are not aligned, operate under different brands and metrics, use duplicative and sometimes conflicting tools, and have a poor reputation with site selection consultants and even economic development professionals in the state. In addition, economic development in Wisconsin is hamstrung by low economic development investment and a limited toolbox of economic development options. The result is often frustrated customers, wasted resources, poor collaboration, and missed opportunities.

Our strategy is to engage and align the economic development resources of Wisconsin in an extended enterprise which uses consistent metrics, employs common infrastructure tools, encourages regional collaboration, and boasts common branding. WEDC will invest in state of the practice infrastructure (IT, tools, communication, metrics, customer service) to support the state's economic development network. The result will be greater numbers of Wisconsin businesses served, improved customer response time and satisfaction, and more effective use of limited resources.

**Strategy 2: *Put in place innovative and game-changing policies*** to leapfrog Wisconsin's ranking as a poor business climate to one that is recognized as a leading business growth state.

Wisconsin ranks near the bottom in many key business climate metrics. Incremental changes in policies and practices will make marginal improvements but are unlikely to move Wisconsin from the bottom half of those rankings. In addition, Wisconsin has performed poorly in securing federal resources and has not engaged its Congressional delegation as effectively as competing states.

Our strategy is to put in place a capability to benchmark, research, develop, and implement business accelerating policies and practices. This capability will support ongoing business and industry research needs, secure federal resources, and develop innovative policy initiatives for the Governor's 2013 legislative economic development package. The result will be accelerated business growth and a business climate ranking for Wisconsin that will be in the top quartile by 2015.



**Strategy 3: *Put in place a world-class, integrated marketing capability*** to promote Wisconsin as a business-friendly state, provide a one-stop point of contact for business information and inquiry, and market Wisconsin internationally.

Wisconsin suffers from a perception that it does not support its existing businesses, is not open to new business, and does not have the infrastructure to support business start-up or expansion. Wisconsin has no marketing presence to change its brand image, no one-stop shop or defined process to provide adequate customer support, and a fragmented strategy for driving international engagement.

WEDC will partner with industry to make a bold and deep investment in the state's marketing capabilities to reshape the brand of Wisconsin within the state and throughout the world. Our investment in an integrated marketing strategy will be comparable to competitor states and include a world-class web presence, consistent branding, and aggressive business and government leader promotion of Wisconsin. The result will be greater expansion of existing businesses in Wisconsin and increased volume of business relocation and investment.

**Strategy 4: *Implement a focused target industry advancement capability*** in which a full range of resources are concentrated on achieving specific business consortia or target industry goals.

Too often, target industry or cluster initiatives are top-down, too broadly defined, with vague objectives, insufficient resources, and limited industry leadership. The results are predictably disappointing and typical of what has happened in Wisconsin.

Our strategy is to focus state resources on industry-led efforts that have the opportunity to create 25,000 jobs or more and where the injection of WEDC-led efforts will make a difference. Rather than a generic 'industry cluster' strategy, we will mobilize resources and provide custom solutions to advance select business consortia opportunities. The result will be significant job growth and advancement of key Wisconsin industries.

# Structure of the WEDC

