

Wisconsin Economic
Development Corporation

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Wisconsin Economic Development Corporation

This paper provides information about the Wisconsin Economic Development Corporation's (WEDC) budget and programs for fiscal year 2011-12 only. The 2012-13 budget was still being revised by WEDC at the time of this writing. The Corporation has acknowledged that it failed to track loans and related repayments after administrative responsibility was transferred from the Department of Commerce. At this writing, the Corporation is in the process of taking corrective actions. WEDC has engaged Financial Institution Products Corporation (FIPCO), a wholly-owned subsidiary of the Wisconsin Bankers Association, and accounting firm Schenck SC to conduct independent, third-party reviews of the Corporation's financial systems and processes. Schenck audited WEDC financial accounting for fiscal year 2012, and presented a report at the December 18, 2012, WEDC Board meeting. The report noted several weaknesses and deficiencies in WEDC's internal financial controls. FIPCO reviewed the Corporation's loan portfolio and recommended risk control policies and procedures appropriate for the Corporation. This report was also presented at the December, 2012, Board meeting. In addition, the Legislative Audit Bureau is conducting a program evaluation and financial audit that will be completed in the Spring of 2013. Finally, although the Corporation made recommendations for federal small Cities Com-

munity Development Block Grant (CDBG) awards in 2012, the Department of Administration currently has full administrative responsibility for all CDBG programs.

Organization

The Wisconsin Economic Development Corporation (WEDC) was created as an Authority under 2011 Wisconsin Act 7. Under 2011 Wisconsin Act 32 (the 2011-13 biennial budget), WEDC was provided state funding of \$34,134,700 in general purpose revenues (GPR) in 2011-12 and \$32,790,600 GPR in 2012-13 and expenditure authority of \$6,500,000 in program revenues (PR) in 2011-12 for funds transferred from the Department of Commerce, such as loan repayments, for WEDC operations and programs. In addition, the Corporation was provided annual funding of \$23,189,200 in estimated segregated (SEG) economic development surtax revenues to fund WEDC economic development programs, \$1,000,000 SEG in environmental fund revenues to fund brownfield site assessment grants, and \$20,000,000 in federal (FED) revenues, primarily for federal small cities community development block grants (CDBG). Act 32 required the Secretary of Administration to lapse a statewide total of \$174.3 million from the unencumbered balances of GPR and PR appropriations of executive

Table 1: WEDC Appropriation Schedule*

		2011-12	2012-13
Operations and Programs	GPR	\$34,134,700	\$32,790,600
Transferred from Commerce	PR	6,500,000	0
Federal Aids: Programs	FED	20,000,000	20,000,000
Economic Development Fund: Programs	SEG	23,189,200	23,189,200
Brownfield Site Assessment Grants	SEG	<u>1,000,000</u>	<u>1,000,000</u>
Total		\$84,823,900	\$76,979,800

*Does not reflect required lapses of \$2,116,700 in 2011-12, and \$1,888,000 in 2012-13.

branch state agencies, including independent agencies, during each of the 2011-13, and 2013-15 biennia. Under this provision WEDC will lapse \$2,116,700 in 2011-12, and \$1,888,000 in 2012-13. Table 1 shows the statutory appropriation schedule for WEDC for the 2011-13 biennium.

WEDC Board of Directors

WEDC is a public body corporate and politic, and has a 15-member board of directors, of which 13 are voting members. The WEDC Board of Directors (Board) includes the Governor, who serves as chair, and six members nominated by the Governor, and appointed with the advice and consent of the Senate, to serve at the pleasure of the Governor. The Board also includes three members appointed by the Speaker of the Assembly and three members appointed by the Majority Leader of the Senate, each consisting of one majority member, one minority member, and one person employed in the private sector. The Secretary of Administration and the Secretary of Revenue serve as nonvoting members of the Board. A majority of the voting members constitutes a quorum for the purpose of conducting the Board's business and exercising its powers, and for all other purposes, notwithstanding the existence of any vacancies. Action may be taken by the Board based on a vote of a majority of the voting members present. Board members do not receive compensation for their service on the Board, but are entitled to be reimbursed for necessary expenses, including travel expenses. Attachment 1 provides a list of the 2012 members of the Board

The Board is required to develop and implement economic programs to provide business support, expertise, and financial assistance to companies that are investing and creating jobs in

Wisconsin, and to support new business start-ups, and business expansion and growth in the state. The Board has the authority to develop and implement any other programs related to economic development in Wisconsin, and all the powers necessary and convenient to carry out its responsibilities. "Economic development program" is defined as a program or activity having the primary purpose of encouraging the establishment and growth of business in the state, including the creation and retention of jobs.

In addition, the Board is specifically authorized to: (a) adopt, amend, and repeal any bylaws, policies, and procedures for regulating its affairs and conducting its business; (b) have a seal and alter it; (c) maintain an office; (d) sue and be sued; (e) accept gifts, grants, loans, or other contributions from private and public sources; (f) establish the Corporation's annual budget, and monitor the fiscal management of the corporation; (g) execute contracts and other instruments required for the operation of WEDC; (h) employ any officers, agents, and employees, and determine their qualifications, duties, and compensation; (I) issue notes, bonds, and any other obligations; (j) make loans and provide grants; (k) incur debt; (L) procure liability insurance; and (m) enter into agreements regarding compensation, space, and other administrative matters that are necessary to operate offices in other states and foreign countries (subject to approval by the Secretary of Administration).

For each economic development program developed and implemented by the WEDC Board, the Board is required to do all of the following: (a) establish clear and measurable goals for the program that are tied to statutory or programmatic policy objectives; (b) establish at least one quantifiable benchmark for each program goal; (c) require each recipient of a grant or loan under the program to submit a report to the Corporation, and that each contract with a grant or loan recipient specify the frequency and format of,

and the performance measures to be included in the report; (d) establish a method for evaluating the projected results of the economic development program with actual outcomes, as determined by evaluating the program's objectives and benchmarks; and (e) annually and independently verify, from a sample of grants and loans, the accuracy of the information submitted to WEDC.

Also, for each economic development program developed and implemented by the WEDC Board, the Board must require:

a. That each recipient of an economic development program grant or loan of at least \$100,000 submit to WEDC a verified statement describing the recipient's expenditure of the grant or loan funds, signed by both an independent certified public accountant and the director or principal officer of the recipient, to attest to the accuracy of the verified statement. Also, a contract with a loan or grant recipient must include a requirement that the recipient of the grant or loan make documents supporting the verified statement available for inspection.

b. That if a recipient of an economic development grant or loan submits false or misleading information to WEDC, or fails to comply with the terms of a contract with the Corporation, and the recipient does not provide a satisfactory explanation for the noncompliance, the Board must do all of the following: (1) recoup payments made to the recipient; (2) withhold future payments to be made to the recipient; and (3) impose a financial penalty on the recipient.

The WEDC Board is required to submit, by January 1, an annual report to the Legislature that identifies the economic development projects the Board intends to develop and implement during the year. In addition, the WEDC Board is required to submit, by October 1, to the Joint Legislative Audit Committee and the Legislature, a report for the previous fiscal year on each WEDC economic development program that contains all

of the following: (a) a description of each program; (b) a comparison of expected and actual program outcomes; (c) the number of grants or loans made under the program; (d) the amount of each grant or loan made under the program; (e) the recipient of each grant or loan made under the program; (f) the sum total of all grants and loans awarded to, and received by, each recipient under the program; and (g) any recommended changes to the program. WEDC must make this information accessible to the public on an Internet-based system. As of December 1, 2012, this report had not been submitted by WEDC.

The Governor (Chairperson) is required to nominate a chief executive officer (CEO) for WEDC to be appointed with the advice and consent of the Senate, and serve at the pleasure of the Governor. The Governor presides at all meetings of the Corporation, and has the authority, subject to rules prescribed by the Board, to sign, execute, and acknowledge, on behalf of, and in the name of the Corporation, any instrument, or document consistent with this delegation of authority, or specifically authorized by the Board, or the Corporate Bylaws. The Board is authorized to delegate to the CEO any powers and duties the Board considers proper, and determine his or her compensation. In addition, a Compensation and Benefits Committee, comprised of three Board members who are not directly employed by a governmental agency or authority, determine all of the elements of the CEO's compensation package, including salary, bonus (if any), and benefits. In addition, the Committee, with Board approval, may advise it concerning benefits for all employees of WEDC.

Members of the WEDC Board of Directors and the CEO are considered state public officials under the Wisconsin Ethics Code who are subject to the Code. Specifically, Board members and the CEO are subject to Code provisions governing conflicts of interest, general ethical standards, using state resources, and they all must file the annual statement of economic interest. For the

purpose of the state lobbying law, WEDC Board members are not considered state agency officials. In practice, this means that Board members from the private sector are required to file the Legislative Activities Statement that identifies employees who engage in lobbying. WEDC officials employed by the State are subject to additional lobbying restrictions.

Meetings of the Board of Directors of WEDC are subject to Wisconsin's open meetings law. Board meetings must be announced with at least 24 hours' notice (unless there are extenuating circumstances), and be open to the public. However, meetings, or portions of meetings, may be closed if the topic covered falls within a statutory exception, such as employee matters, conferring with legal counsel, or for competitive or bargaining reasons.

Wisconsin Economic Development Corporation

WEDC was created to replace the Department of Commerce as the state's lead agency in promoting economic development. As noted, 2011 Act 7 created the Authority as a public body corporate and politic, with a governing Board of Directors. Under the provisions of 2011 Wisconsin Act 32 (the 2011-13 biennial budget), Commerce was eliminated and statutory responsibility for creating and administering economic development programs, providing certain related technical assistance, and administering existing programs and tax credits was transferred to WEDC. Unlike most statutory state authorities, WEDC receives most of its funding from annual state appropriations provided to the Corporation.

WEDC is statutorily responsible for administering the brownfields grant program, brownfield site assessment grants, the Main Street program,

allocation of the state volume cap on industrial revenue bonds (IRBs), and is required to make annual marketing grants to regional economic development organizations. The Corporation also has other statutory responsibilities, such as eligibility certifications, allocations and verifications, related to state individual income and corporate income and franchise tax credits and exclusions. These responsibilities apply to early stage business investment tax credits, the jobs tax credit, the economic development tax credit, enterprise zones, development opportunity zones, and the Wisconsin-source assets capital gains exclusion and long-term capital assets capital gains deferral.

The WEDC bylaws, adopted by the Board, require the Corporation to have a CEO, and other officers, or assistant officers approved by the Board. In general, the CEO has the authority to execute documents, contracts, and other instruments required for the day-to-day operation of the Corporation, including all day-to-day purchases that are deemed necessary and appropriate for the efficient functioning of the Corporation. The CEO may execute, or may delegate authority to execute, any checks, drafts, or other orders for payment of money, notes, acceptances, or other evidence of indebtedness (excluding bonds) without the specific authority of the Board, provided that such checks, drafts, or indebtedness advances the functions of WEDC, or is authorized under the statutes. The CEO may execute, or delegate authority to execute, contracts, or other documents related to WEDC's economic development programs, including grants, loans, and tax credits. The CEO is required to submit reports to the Board that include the amount of grants, loans, and/or tax credits, shown for each organization or entity that received such assistance. The CEO is also authorized to establish (or delegate responsibility for) WEDC's budget, and monitor the Corporation's fiscal management.

Under the bylaws, the CEO has authority (or may delegate authority) to employ officers,

agents, and employees deemed appropriate to fulfill the Corporation's needs, and to determine the related qualifications, duties, compensation, and benefits, subject to board decisions based on recommendations by the Board's Compensation and Benefits Committee. Salaries of principal officers (other than the CEO) and personnel are fixed by the CEO, or an authorized committee of the Board, consistent with policies determined by the Board. In addition, the CEO may establish and enforce the Corporation's personnel and human resources policies and procedures.

All of the records WEDC are subject to the state open records law, except those relating to pending grants, loans, or economic development projects that, in the opinion of the Corporation, must remain confidential to protect the competitive nature of the grant, loan or project. Loans cannot be contracted on behalf of WEDC, and an evidence of indebtedness cannot be issued in its name unless it is authorized by, or under the authority of, a resolution of the Board of Directors, or specified in the bylaws. The CEO can incur debt on behalf of the Corporation, only if such debt is specifically identified in a budget approved by the Board, or is otherwise incurred in the ordinary course of business. Also, the Board of Directors is required to approve the designation of an enterprise zone.

WEDC Budget

Statement of Revenues and Expenditures

Table 2 shows the statement of revenues, expenditures, and the fund balance for WEDC, for fiscal year 2011-12. The table shows that the primary source of annual funding for the Corporation was state GPR, which accounted for about 55% of revenues. SEG funding of \$23,189,200 was provided from the economic development surcharge, while \$1,000,000 was provided for

brownfield site assessment grants from the environmental management account of the segregated environmental fund. Other sources of revenue included interest on loans, loan origination fees, and industrial revenue bond fees.

The table shows that the main operating expense was \$6,660,400, or 28%, for payroll and related costs. As noted, the CEO is authorized to hire and determine the salary and benefits of WEDC employees, as recommended by the Compensation and Benefits Committee of the Board. Salaries of principal officers and other personnel are adjusted periodically by the CEO and the Committee, consistent with Board policy. WEDC employees are subject to the general state prohibition on dual employment, which precludes full-time employees from holding any other position from which the individual receives more than \$12,000 in compensation. All WEDC employees participate in the Wisconsin Retirement System (WRS). In 2012, the employee contributed 5.8%, with a WEDC match of approximately the same amount. Employees are vested after six months. Over 20 HMO or preferred provider health insurance plans are offered with uniform benefits, prescription drug coverage, and, in some cases, dental insurance. In 2012, employees paid \$81 per month for individual plans, and \$201 per month for family plans. WEDC also offers additional dental insurance, including comprehensive dental care, life insurance, disability and income continuation insurance, accidental death and dismemberment insurance, vision insurance, and supplemental benefits insurance. Employees can also participate in a deferred compensation program, and establish medical and dependent care reimbursement accounts, subject to Internal Revenue Code (IRC) provisions. Employees are provided 11 paid holidays per year, and four to six weeks in paid time off, based on years of service with WEDC.

Table 2 shows that \$9,158,000, or approximately 39% of expenditures, were for economic development projects and activities. This amount

does not include loans made for economic development projects. Under the corporation's accounting system, economic development loans are treated as assets. For fiscal year 2012, WEDC had net loans receivable of \$32.7 million.

Operating and maintenance expenses at \$4,506,200 accounted for the third largest expense category. A significant portion of operating funds is allocated for partner contracted services. WEDC provides funds to partner organizations to support the organization's economic development activities and/or programs. For example, WEDC provides funds to the University Of Wisconsin Extension for the Wisconsin Small Business Development Center (SBDC), Entrepreneurial Training Program (ETP). ETP is a course that provides prospective and existing business owners with expert guidance in developing a business plan. WEDC partners include SBDC, the Wisconsin Entrepreneurs' Network (WEN) at the UW Extension, the Wisconsin Women's Business Initiative Corporation (WWBIC), the Wisconsin Technology Council (WTC), the Wisconsin Angel Network (WAN), the Wisconsin Manufacturing Extension Program (WMEP), the Northwest Wisconsin Manufacturing Outreach Center (NWMOC), the Wisconsin Procurement Institute (WPI), regional economic development organizations (EDOs), minority revolving loan funds (RLFs), regional planning commissions, and the Wisconsin Economic Development Authority (WEDA). Marketing and advertising expenditures were almost \$1.2 million.

WEDC also received initial funding from a contribution of \$42,033,200 from the state. the contribution consisted of a transfer of state loan program receivables totaling \$24,277,400 and cash and other net assets of \$17,367,300. The transfer also included \$388,500 that represented the accumulated compensated absence balance of former State of Wisconsin employees who became employees of the WEDC. Since this represents a long-term liability, it is not reported in the

Table 2: Statement of Revenues and Expenditures, 2011-12

Revenues	
State GPR	\$32,018,000
State SEG	24,189,200
Other	<u>1,673,200</u>
Total Revenues	\$57,880,400
Expenditures	
General and Administrative	\$989,400
Marketing and advertising	1,183,200
Payroll and Related	6,660,400
Utilities and Facilities	932,200
Operating and Maintenance	4,506,200
Taxes and Insurance	59,200
Economic Development	<u>9,158,000</u>
Total Expenditures	\$23,488,600
Excess Revenues over Expenditures	\$34,391,800
Contributions from State	<u>42,033,200</u>
June 30, 2012, Fund Balance	\$76,425,000

fund statements, and the contribution from the state is increased by this amount.

Table 2 shows that revenues (including the Commerce transferred receivables) exceeded expenditures by \$34,391,800 in 2011-12. Combined with the initial contribution of the state the WEDC fund balance was \$76,425,000 in 2011-12.

Economic Development Fund. The primary source of SEG funding is the economic development surcharge, which was formerly the recycling surcharge that was deposited in the recycling fund. Under provisions of Act 32, the recycling fund was renamed the economic development fund, and the recycling surcharge was renamed the economic development surcharge, and deposited in the fund. Economic development fund revenues are appropriated to WEDC through the SEG appropriation. As noted, \$23.2 million annually is appropriated. In addition, the Department of Revenue (DOR) is appropriated \$210,800 SEG annually, and is provided 1.0 SEG position to administer the surcharge.

The economic development surcharge is imposed on farm and nonfarm businesses that have more than \$4 million in "gross receipts from all activities" The surcharge equals 3% of gross tax liability for corporations (including insurance companies and limited liability companies [LLCs] taxed as corporations), or 0.2% of net business income for sole proprietorships, partnerships, LLCs taxed as partnerships, and tax-option (S) corporations. The minimum economic development surcharge is \$25, and the maximum is \$9,800. Sole proprietorships and partnerships engaged only in farming with more than \$4 million in gross receipts pay the \$25 minimum economic development surcharge. C corporations and S corporations solely engaged in farming determine surcharge liabilities in the same manner as other C and S corporations. In general "gross receipts from all activities" means gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin income/franchise tax purposes.

Table 3 shows annual economic development surcharge (recycling through FY 11) collections

Table 3: Recycling Surcharge Collections (\$ in Millions)

Fiscal Year	Amount
2000-01	\$26.3
2001-02	12.5
2002-03	15.4
2003-04	25.5
2004-05	13.2
2005-06	19.5
2006-07	23.5
2007-08	25.1
2008-09	27.2
2009-10	20.6
2010-11	25.9
2011-12	27.5

since 2000-01. Because amounts were periodically transferred between the general fund and the economic development, or recycling, fund to reflect estimated surcharge payments, collections in individual fiscal years can vary from the tax liability for a given fiscal year.

Table 4 shows the condition of the economic development fund based on reported 2011-12 activity and 2012-13 estimates. The July 1, 2011, opening balance of \$4.9 million was transferred from the former recycling fund.

Table 4: Economic Development Fund (\$ in millions)

	Actual FY12	Estimate FY13
Opening Balance	\$4.89	\$9.05
Annual Revenue	<u>27.53</u>	<u>28.00</u>
Revenue Available	\$32.41	\$37.05
WEDC Appropriations	\$23.19	\$23.19
DOR Surcharge Administration Expenditures	<u>0.17</u> \$23.36	<u>0.21</u> \$23.40
Ending Balance	\$9.05	\$13.65

WEDC Divisions and Related Economic Development Programs

WEDC is organized into six divisions under an executive office. The six divisions include: (a) Entrepreneurship and Innovation; (b) Economic and Community Development; (c) Business and Industry Development; (d) Marketing and Communication; (e) International Development; and (f) Finance and Administration. Attachment 2 shows an organizational chart for WEDC.

Entrepreneurship and Innovation. Division staff design, implement, and administer early stage capital investment programs, provide supporting technical assistance for new business start-ups, product development, and research and development, and work with and provide funding for partners that offer entrepreneurship support services. Staff support activities include public outreach, dissemination of information, and ac-

count management. The Division provides technical and financial assistance to assist with a number of entrepreneurial business activities, including proof of concept, product development, regulatory compliance, initial production, purchasing critical infrastructure, raising investment capital, and raising other capital.

The Division contracts with the following partners for entrepreneur support services:

Wisconsin Entrepreneurs Network (WEN). WEN was created to promote entrepreneurship and innovation in Wisconsin, and includes the University of Wisconsin System, the Wisconsin Technical College System (WTCS), the WiSys Technology Foundation, and the Agricultural Innovation Center. The Network offers a variety of services to entrepreneurs in all industries and at all stages of development, including business planning, educational workshops, executive programs, peer learning, access to capital, technology transfer assistance, and assistance to high-growth businesses. WEDC budgeted \$300,000 in 2011-12 to provide WEN with funding for technology assistance grants (TAG). Technology assistance grants provide small Wisconsin high-technology businesses with funding for a portion of the expenses of hiring a for-profit, in-state, third party to develop a comprehensive business or commercialization plan, or to meet specific requirements to obtain seed or early-stage financing from outside sources. The maximum TAG grant is \$3,000, up to 75% of project costs. Applicants are required to provide a cash match of at least 25% of the eligible project costs from sources other than the State of Wisconsin. (WEN also provides early planning grants of up to \$3,000 to entrepreneurs and small businesses in other targeted industries to fund a portion of the cost to hire a for-profit third-party to develop a comprehensive business plan.)

The U. W Extension -- Small Business Development Center (SBDC) . The SBDC network,

which receives WEDC funding through the UW System, consists of 12 service centers and three specialty centers located at four-year University of Wisconsin campuses. The SBDCs offer classroom training related to starting, financing, and managing a business for entrepreneurs and small businesses. WEDC funding is used to provide grants of up to \$750 to cover a portion of the cost of participating in a SBDC Entrepreneurial Training Program (ETP). ETP is an eight to 10-week classroom course that provides assistance in developing a business plan

Wisconsin Technology Council (WTC). WTC is an independent non-profit, non-partisan board with members from technology companies, venture capital firms, educational institutions, research institutions, and government entities. The Wisconsin Technology Council: (a) is a science and technology advisor to the Governor and Legislature, and provides policy guidance to them and state agencies and other related institutions through Council activities, reports, and white papers; (b) serves an in-state networking role through the Wisconsin Innovation Network (WIN), a community-based economic development organization that fosters innovation and entrepreneurship through connections with entrepreneurs and a variety of industries and professionals in high-technology, law, banking, government, public relations, and manufacturing; (c) serves as an economic development catalyst through a number of programs, including WIN, the Wisconsin Security Research Consortium, and the Wisconsin Early Stage Symposium for technology companies seeking capital. WEDC budgeted \$60,000 in 2011-12 to provide funding for the Wisconsin Technology Council.

Wisconsin Angel Network (WAN). WAN is operated by WTC and is designed to build angel investor network capacity in Wisconsin in order to increase the number and amount of early stage investments in Wisconsin businesses. WAN membership is generally limited to investment

funds and angel investors, and the network operates a deal flow pipeline Internet site with projects submitted by entrepreneurs for investment consideration. The network organizes educational programs and provides investment information for members. The 2011-12 WEDC budget provided \$60,000 to WAN.

Wisconsin Women's Business Initiative Corporation (WWBIC). WWBIC provides access to capital through direct lending, individualized business assistance, and business education focusing on women, minority and low income individuals. WWBIC provides the following services: (a) encouraging and increasing micro-enterprise development by assisting entrepreneurs and small business owners; (b) increasing clients' understanding of business technology applications; (c) coordinating small business initiatives with WEN; (d) collaborating with local organizations to provide financing and training to small businesses; and (e) advocating for microenterprise in Wisconsin. WEDC budgeted \$99,000 for WWBIC in 2011-12.

WEDC administers the early stage business investment program and the technology development fund program. The Corporation also certifies Wisconsin businesses for certain capital gains exclusions or deferrals provided under the individual income tax.

Capital Catalyst Program. The capital catalyst program provides very early stage seed funding to organizations or communities that have existing seed funds in place, or that have the ability to create such funds. The program provides seed grants ranging from \$100,000 to \$250,000 to eligible organizations and communities. To be eligible, an organization or community must demonstrate that: (a) there are programs in place to facilitate creation of high growth business start-ups; (b) they have the ability to provide training and mentoring to start-up companies that will benefit from the seed grants; and (c) they have entrepreneurs in place to provide support,

and to raise matching funds. Grant recipients must provide matching funds that are at least equal to the grant along with supporting documentation, and a minimum of one-third of WEDC grant funds must be used for grants to businesses. Grant recipients must contract directly with WEDC for grant funds and provide the corporation with annual reports, and information on the criteria used to make seed fund investment decisions.

Grant recipients (organizations and communities) are required to use the WEDC funds for grants, and debt/equity investments in start-up, early stage, and innovative businesses in Wisconsin. Repayment of investments may occur over a period of time selected by the recipient organization or community, typically over five to seven years, based on the type of investment, number of start-ups occurring, and needs of the community or region. Grants and investments must be focused on industry sectors that include, but are not limited to, advanced manufacturing, agriculture or food processing, information systems or software, medical devices, biosciences, and renewable/green energy. Funding cannot be used for making investments in real estate, retail or hospitality businesses, or restaurants.

Organizations and communities that receive WEDC funds base investment decisions on the number of applicants for funding, amount of funding requested, and the size of the organization's or community's seed fund. WEDC funds must be disbursed within 18 months, but annual reports must continue for five years. No awards were made during fiscal year 2012.

Technology Development Fund Loan. The technology development fund loan program provides early-stage funding through below market-rate loans to entrepreneurs and technology-based businesses. A total of \$9.0 million was budgeted for the program in fiscal year 2011-12. Technology development fund loans (TDL) can be used for working capital or equipment financing. Max-

imum loan amounts are as follows: (a) \$250,000 for R&D stage companies; (b) \$500,000 for companies seeking funds to launch a first product or service; and (c) \$750,000 for companies seeking funds to rapidly expand commercialization activities. Matching private investment funds of at least three times the amount of an award is required prior to disbursement of loan funds.

A loan generally has a term of up to seven years, with payments deferred up to 36 months, followed by equal monthly payments of principal and interest. Interest on the loan ranges from 2% to 6%, depending on collateral, guaranty, and company viability. For collateral, loan recipients are required to sign: (a) a general business security agreement on all assets currently owned or acquired after the agreement; or (b) a specific business security agreement on assets purchased with the technology development fund loan. A loan guaranty must be the personal or corporate guaranty of the owner, or any other shareholder with 20% or more ownership interest. If there is no owner with greater than 20% ownership, or if owners are unwilling to provide guarantees, WEDC may consider waiving the requirement in exchange for a higher interest rate. A loan origination fee of 2% of the amount of the award is imposed.

Award recipients must document, for a minimum of three years, or the length of the loan: (a) the number and wages of jobs created; (b) the amount of private equity and/or debt leveraged; (c) the amount of other public funding leveraged; and (d) financial data demonstrating revenue growth. Loan recipients must enter into an agreement with WEDC not to relocate outside Wisconsin the economic activity for which the loan was awarded.

Businesses must apply to WEDC for TDLs. The application must outline the sources of project funds and uses of loan proceeds, and include a business plan or similar information, along with any other information required by the Corpora-

tion. In reviewing applications WEDC considers the following: (a) percentage of the expenses, employees, and headquarters activities that are based in Wisconsin; (b) potential for significant business growth, including the ability to increase jobs and capital investment in the state; (c) the business must be engaged in start-up or early stage activities; (d) management team; (e) identified financial need; and (f) business and financial viability.

Economic and Community Development.

The Division provides financial and technical support to develop a high performing statewide economic development network. Related activities include: (a) developing and administering the certified business sites program which identifies business sites with approvals, documentations, and assessments required for industrial use already in place; (b) developing a Business Retention and Expansion (BRE) function to provide consistent statewide business site assessment methodology; (c) consolidating regional revolving loan funds; providing grants to support regional planning and coordination; (d) underwriting training for state and local economic development professionals, coordinated with the Wisconsin Economic Development Association (WEDA); and (e) deploying the Salesforce customer relations management (CRM) system with partners to coordinate economic development activities.

Economic development staff, which includes eight regional account managers: (a) provide training, guidance and assistance to regional and local economic development organizations; coordinate economic development activities of state, regional, local, and partner economic development agencies; (b) work with local economic development organizations to package incentives for business expansion and relocation projects; (c) provide direct financial and technical assistance to businesses for economic development projects; and (d) manage business accounts for financial assistance projects. Division underwriters review,

analyze, and approve business financial assistance projects, and provide technical support to regional revolving loan funds.

Community development staff provide technical and financial assistance to local governments for community and business development projects. Staff administer community financial assistance accounts, small cities federal community development block grants (CDBG) funded through DOA, and the state and federal brownfields and blight elimination program. Community development staff also provide technical and financial assistance to local governments, including administering the Main Street program, to revitalize downtown areas and commercial business districts.

In 2012, Division community development staff also made recommendations for federal CDBG awards. However, the Department of Administration (DOA) was responsible for administering all CDBG programs. As a result, DOA was responsible for award approvals, contracts, and disbursements.

Extended Enterprise Funding. As part of its function to develop a high performing statewide economic development network, the Division of Economic and Community Development provides extended enterprise funding for coordinated activities with partners.

Regional and Local Economic Development Organizations -- Capacity Building Grants. A total of \$500,000 in extended enterprise aids was provided in fiscal year 2011-12 for capacity building (CAP) grants to regional and local economic development organizations. CAP grants can be used by the economic development entities for: (a) assessments of the economic competitiveness of the area; (b) development of a comprehensive economic development strategy; and, (c) support of activities that will benefit the organizations or their members through operational efficiencies, strategy development, education and

skills development, or increased collaboration with other organizations.

Industrial Site Certifications. Funding of \$135,000 was budgeted for: (a) development of consistent industrial site standards with Deloitte Consulting; (b) deploying a Salesforce customer relations management (CRM) system for tracking, forecasting and analyzing sales as a pilot project with 50 partners; and (c) deploying a Salesforce-based business retention and expansion (BRE) tool to apply consistent business site assessment methodology statewide. In addition, \$34,900 was budgeted to enhance LocateInWisconsin to include certified industrial sites and brownfield sites. LocateInWisconsin is a web-based comprehensive source of information on available business location/expansion sites in the state.

Regional Economic Development Organizations. WEDC provides funds to the ten regional economic development organizations in the state for assisting in deploying WEDC economic development tools, such as site assessment methodology, marketing activities, supporting local editions of LocateInWisconsin, and enhancing international business development services. A total of \$800,000 in 2011-12 was budgeted for regional economic organizations.

Regional Revolving Loan Fund Consolidation. WEDC budgeted \$500,000 for the expenses incurred by local governments and regional and local economic development organizations in consolidating more than 130 revolving loan funds (RLFs) into nine regional RLFs. Transition costs that will be funded include legal fees, filing fees, and related administrative costs.

Research Projects. A total of \$300,000 was budgeted for fiscal year 2011-12 to fund research projects that will: (a) assess and improve the effectiveness of the statewide economic development network; (b) assess the impact of, and potential for developing supply chains in Wisconsin.

sin; and, (c) evaluate changes to the state's logistics infrastructure and the effect on economic development. WEDC also budgeted \$200,000 for grants (maximum of \$25,000) to local governments and economic development organizations for planning, implementation, and research that would advance targeted economic development projects.

Economic Modeling. The 2011-12 WEDC budget included \$200,000 to work with the nine regional planning commissions (RPCs) to extend access to Economic Modeling Specialists, Inc. (EMSI) Analyst program, and other data throughout the state. The EMSI program allows users to conduct input-output analysis to model the potential economic impacts of industry expansions or contractions, including the effects on other industries.

Wisconsin Economic Development Association. WEDC budgeted \$100,000 in 2011-12 to contract with the Wisconsin Economic Development Association (WEDA) to provide economic development training to professional staff of state economic development organizations. Training includes workshops and half-day sessions. WEDA is a statewide association of economic development organizations that provides training through events conducted with WEDC. WEDC will also contract to provide the International Economic Development Council (IECD) Basic Economic Development Course, and additional economic development professional certification courses.

Economic Development Financial Assistance. The Division of Economic and Community Development provides financial assistance to businesses for economic development projects through tax credit, grant, and loan programs. The tax credit programs include enterprise zone, economic development, and jobs tax credits. The Division provides funding through the direct funding loan program and training grant program. The Division also allocates industrial reve-

nue bond (IRB) authority to municipal and county business projects through its responsibility to allocate the IRB volume cap.

Direct Funding Loan Program. The direct funding loan program provides loans to finance a gap in funding of an eligible business expansion or relocation project. To be eligible, the business must be making a capital investment to start a new operation, expanding its existing operation, or upgrading manufacturing capabilities or processes. The business must also be creating new full-time positions and/or retaining an existing employment base. Generally, loan amounts range from \$200,000 to \$1.0 million, and a loan origination fee of 2% of the award amount applies to awards of \$200,000 or more. Total funding of \$38.5 million was budgeted for fiscal year 2011-12. Loan funds can be used for: (a) working capital; (b) equipment; (c) training; (d) building construction and improvements; (e) land acquisition; (f) private infrastructure improvements; (g) asset acquisition; and (h) lease payment reduction for property owners. However, the following types of businesses are not eligible for direct funding loans: (a) payday loan and loan title companies; (b) telemarketing; (c) pawn shops; (d) media outlets, such as newspapers and radio stations [unless the job creation is significant]; (e) hospitals and related entities, [unless the job creation is significant]; (f) retail; (g); farms; (h) primary care medical facilities; and (9) financial institutions.

The business must provide cash equity for the project, and have received a commitment for funding from another lender. WEDC does not act as the primary lender, and the total contribution of public funding generally cannot exceed 35% of project cost or the amount of private investment. Direct funding loans are awarded at below market interest rates, typically 2%, with flexible repayment terms. In special circumstances, such as in lieu of a forgivable loan, interest rates can be between 0% and 2%. Loan funds can be drawn over a six to twelve month period, and monthly principal and interest payments can be

deferred up to 12 months. Interest-only payments can be included in loan repayment terms for the first year of the loan. The term of a loan typically does not exceed seven years. Forgivable loans can be awarded for projects that would generate a substantial economic benefit or impact to the state, as determined by an Economic Modeling Specialists International (EMSI) economic impact report.

WEDC will seek the best possible lien position to secure a direct funding loan. For loans for equipment purchases, the corporation will attempt to secure a first lien position (Selective Business Security Agreement) on the equipment purchased with the loan. Other forms of collateral WEDC accepts include: (a) subordinate position General Business Security Agreement on all business assets; (b) subordinate position real estate mortgage; and (c) shared lien on specific assets or all assets with a participating public entity. Generally, all shareholders who own at least 20% of the business are required to guarantee the loan.

Businesses must apply for direct financing loans by completing and submitting a prospect data sheet through a regional account manager. The regional account manager reviews the application to determine: (a) that the project is eligible for loan funding; (b) if the project has been started; (c) why the WEDC loan is needed [existence of funding gap]; (d) the incentive value of the loan; (e) number and nature of jobs created/retained; (f) employee wages and benefits; (g) collateral available to secure the WEDC loan; (h) private and public funding leveraged by the loan; (i) the business' equity contribution to the project; (j) reasonableness of the request in terms of WEDC and/or public participation; (k) personal or business guarantees from shareholders with 20% or more ownership interest; and (L) previous WEDC/Commerce awards. Applicants must submit information on the company, project, job creation and retention, wages and benefits, capital investment, project costs, project sources and

uses, financial commitments from other sources, a financial statement, and a loan repayment analysis.

Staff review is conducted by the underwriting unit and management. Factors considered by the underwriter include:

- a. The extent of poverty, unemployment, or other factors contributing to general economic hardship in the area.
- b. The amount of investment that is likely from the project, including a private sector investment ratio of 2:1.
- c. The number and wages of full-time jobs that are likely to be retained or created as a result of the project.
- d. The competitive effect of the award on other businesses in the area.
- e. Whether the project is likely to occur or continue without the award.
- f. The financial soundness of the business, and the ability of the business to repay the debt.
- g. The support of the local community where the project is located.
- h. The economic impact of the business.
- i. Availability of other funding sources for the project.
- j. Any other factors that the corporation considers relevant, including employee benefits and economic impact analysis.

The amount of direct loan awarded to an individual project is determined using the same basic criteria used to determine economic development tax credit awards. Therefore, loan awards for job creation or retention projects are based on a

tiered system. Awards range from \$3,000 per job to \$7,000 per job, if the minimum wage range is met for each tier. Similarly, awards for headquarters related projects range from \$4,000 per job to \$10,000 per job. In addition, full-time jobs created or retained must meet one of the following criteria; (a) the employer covers at least 50% of the health insurance premium costs for the employees; (b) at least 50% of the full-time employees utilize the health insurance benefits provided by the employer; or (c) other employee health insurance benefits are provided that are acceptable to WEDC.

Direct funding loan awards for capital investment projects are generally: (a) up to 3% of their eligible capital investment in equipment; and (b) up to 5% of their capital investment for real property. Awards for training projects are up to 50% of eligible training costs, or \$5,000 per employee, for eligible training that is provided to existing and new employees in full-time jobs. "Eligible training costs" include training wages of production employees through first line supervisors, training materials, and trainer costs. Training that addresses any of the following is ineligible for funding: (a) orientation; (b) administration and compensation systems; (c) credit or degree courses; (d) diversity; (e) consulting services, including strategic planning; (f) sales training; (g) personal development, such as general educational testing; (h) human resources practices; (i) non-job-related training; (j) stand-alone basic or remedial training; (k) non-skill-related assessments; (l) state or federally mandated programs; (m) general safety procedures; (n) English as a second language; (o) basic skills, and (p) on-the-job training that involves manufacture of a product for sale. Eligible training costs do not include travel expenses, food and lodging.

If an application is approved by the underwriting and management review process, a letter of intent outlining the terms and conditions of the award is sent to the applicant. The letter must be signed and returned to WEDC within thirty days

to initiate the contract process. When the letter of intent is received by WEDC, a contract is drafted that includes reporting requirements, and penalties for noncompliance. The contract is required to be executed within 60 days, and prior to any disbursement of loan funds.

"Full-time position" means employment of 40 hours per week. "Deliverables" include job creation, job retention, capital investment, number of new/existing employees to be trained, and the amount of training costs incurred.

"Corporate headquarters" means the office of a business engaged in a multistate or multinational business. It is the location where staff members or employees are physically employed, and where the majority of the company's financial, personnel, legal, planning or other headquarters functions are administered on a divisional, regional, national, or global basis. Company functions or services may include accounts receivable and payable, accounting, data processing, distribution management, employee benefit plan, financial and securities accounting, information technology, insurance, legal, merchandising, payroll, personnel, purchasing or procurement, reporting and compliance, tax, treasury, or other headquarters related services. "Multistate or multinational business" means a business with major operations in two or more states or nations.

Training Grant Program. The training grant program provides grants to businesses to upgrade or improve the job-related skills of a business' full-time employees. The business must make a firm commitment locate or expand an existing facility in Wisconsin that requires training for its employees in new technology and industrial skills that is: (a) upgrading or developing a new product, process, or service; (b) implementing new equipment or technology; or (c) entering a new market. Grant amounts fund 50% of eligible training costs, with a maximum per employee grant of \$5,000, and a maximum total grant to the

business of \$200,000. Grant recipients must provide matching funds at least equal to the grant amount. A total of \$1.0 million was budgeted for the training grant program in 2011-12.

Businesses whose primary activity includes retail, commercial development, recreation, entertainment, or direct health care are not eligible for grants. In addition, the following types of businesses are not eligible: (a) payday loan and loan title companies; (b) telemarketing; (c) pawn shops; (d) media outlets, such as newspapers and radio stations [unless the job creation is significant]; (e) businesses in the tourism industry [unless the job creation is significant]; (f) hospitality; (g) farms; (h) primary care medical facilities; and (i) financial institutions.

The training must be for employees who are Wisconsin residents, and the trained positions must be maintained for two years. The job training must focus on new technology, industrial skills, or manufacturing processes, and not be currently available from other sources, such as the Wisconsin Technical College System (WTCS). Eligible training costs include training wages for production employees through first line supervisors, training materials, and trainer costs. The training must be pre-approved by WEDC, and related to a specific project. The training may be on or off-site, but must be performed by a provider that is approved or authorized by the Corporation.

Expenses for routine training, travel, food and lodging are not eligible costs. The following training-related activities are specifically not eligible for funding: (a) orientation; (b) administration and compensation systems; (c) credit or degree courses; (d) diversity; (e) consulting services, including strategic planning; (f) sales training; (g) personal development, such as general educational testing; (h) human resources practices; (i) non-job-related training; (j) stand-alone basic or remedial training; (k) non-skill-related assessments; (l) state or federally mandated pro-

grams; (m) general safety procedures; (n) English as a second language; (o) basic skills, (p) on-the-job training that involves manufacture of a product for sale; and (q) routine training not related to a specific project.

To be eligible for training under the program, employees must be full-time, and paid 150% of the federal minimum wage. In addition, the full-time employees receiving training must meet one of the following criteria; (a) the employer covers at least 50% of the health insurance premium costs for the employees; (b) at least 50% of the full-time employees utilize the health insurance benefits provided by the employer; or (c) other employee health insurance benefits are provided that are acceptable to WEDC.

Businesses must apply for a training grant by submitting a completed prospect data sheet and training exhibits information to a regional account manager. Businesses that receive grants must enter into a contract with WEDC that includes penalty provisions, before disbursement of training grant funds. Awards are based on WEDC staff review and underwriting processes. The regional account manager reviews information submitted by applicant businesses to determine: (a) eligibility of the project; (b) if the project has begun; (c) viability of the project; (d) the number and nature of the jobs that are created or retained; (e) employee wages and benefits; (f) economic impact of the project; and (g) previous WEDC/Commerce awards received.

Staff review and the underwriting process are based on information about the company, project, job creation and retention, capital investment, project costs, sources and uses of project funding, and financial statements. In addition, evaluation of grant applications is based on the following factors: (a) whether the project might not occur without the WEDC training grant; (b) the extent to which the project will be financed with other sources of public funds; (c) whether the project will displace workers in the state; (d) the extent

to which the project will contribute to economic growth in the state; (e) the extent to which the project will retain or increase employment in Wisconsin; (f) whether the project will be located in an economically distressed area; (g) whether the project will be located in a rural area; (h) the financial soundness of the business; and, (i) any previous financial assistance that the business received from the Department of Commerce or WEDC.

Businesses that receive training grants are required to submit annual project reports to WEDC. In addition, business that are awarded grants of \$100,000 or more must provide the Corporation with a verified statement describing and documenting grant expenditures.

Private Activity Bond Financing-Industrial Revenue Bond Volume Cap Allocation. Private activity bonds are federally tax-exempt bonds issued by public entities to provide low-cost financing for private projects that serve a public purpose. Typically, a governmental unit borrows money from private capital markets, secured only by project revenues, rather than the full faith and credit of the local governmental unit. Interest income earned on private activity bonds issued by a governmental entity to finance a project for a private company may be exempt from federal, income taxes, reducing the cost of financing the project.

Industrial revenue bonds (IRBs) are a type of private activity bond and are primarily used to finance manufacturing projects. However, certain "exempt" projects can also be financed by IRBs. Eligible expenses include land acquisition and site improvements, construction, expansion or renovation of facilities, equipment purchases, architectural and engineering studies and interest during construction. Bond issue proceeds can also be used to fund certain costs incurred in issuing the bonds.

Manufacturing generally includes types of

processing that results in the change in the condition of tangible property. Manufacturing does not include recreational services, wholesaling, retailing, or repair services. "Exempt projects" that are eligible for IRB financing include: (a) airports; (b) docks and wharves; (c) mass-commuting facilities, including high speed rail; (d) facilities for furnishing water; (e) sewage facilities; (f) local energy or gas service facilities; (g) local heating and cooling service facilities; and (h) qualified hazardous waste facilities.

Federal law establishes a "volume cap" at the state level that limits the amount of Industrial Revenue Bonds (IRBs) that can be issued each year for projects. WEDC allocates bonding authority (\$266.3 million for 2012), to cities, villages, towns and counties to issue tax-exempt industrial revenue bonds. The municipality or county sells the IRBs and loans the proceeds to the business conducting the project. The business must secure an underwriter for the bond issue. Because of the tax-exempt status of the bonds, interest on IRB's can be 1.5 to 2.5 percentage points below corporate bonds. Project facilities and equipment is usually collateral on the loan.

The maximum size of an IRB issue is \$10 million. For IRB issues exceeding \$1.0 million, capital expenditures at the business's location in the local governmental unit cannot be greater than \$20 million during the three years preceding and the three years after the date the bonds are issued. The total amount of IRBs outstanding for all related operations of the business cannot be more than \$40 million. "Exempt" projects are not subject to these limits. Recipients of bond proceeds must agree to retain project operations in Wisconsin for five years.

All bond proceeds must be used within a three-year period. The average maturity of the bonds cannot exceed 120% of the weighted average of the economic life of the project. At least 95% of the bond proceeds must be for eligible project expenses. No more than 5% of bond pro-

ceeds can be used for other expenses, including a maximum of 2% of bond proceeds that can be used to pay the cost of issuing the IRBs. A maximum of 25% of net bond proceeds may be used to finance expenditures, including expenditures for land, buildings, and equipment, that are directly related and ancillary to, the core manufacturing facilities. These ancillary facilities and equipment must be subordinate and integral to, and located on the same site, as the core manufacturing activities, and can include: (a) short-term warehousing; (b) loading docks or rail spurs; (c) forklifts or similar equipment, excluding delivery and distribution vehicles; (d) on-site laboratories; and, (e) on-site office space. No more than 25% of net bond proceeds may be used for land acquisition. Net bond proceeds cannot be used to acquire used property, unless substantial rehabilitation [15% of the amount financed for buildings, and 100% of the amount financed for other structures] is completed within two years after the date the property was acquired or the bond was issued. Property financed by bond proceeds must be depreciated using the straight-line method.

Businesses interested in using IRBs for financing must submit a completed prospect data sheet and an IRB addendum to WEDC through a regional account manager. The regional account manager reviews the information based on the following criteria: (a) project eligibility; (b) volume cap available; (c) size of the bond issue relative to project; (d) ability to make required capital expenditures; (e) project starting date [cannot be earlier than 60 days prior to adoption of an initial public resolution]; (f) retention of a bond attorney; (g) communications with lender and municipality. Applications go through an underwriting and staff review process. Businesses seeking IRB financing must file the following documents with WEDC; (a) good faith estimate of attorney's fees; (b) notice of intent to obtain a municipal revenue bond, including the number of jobs created, retained or eliminated as a result of the project; (c) job retention certification form certifying no job

losses, or an agreement to hire displaced employees, at comparable wages and benefits, with certification of compliance with these requirements; (d) quarterly project reports; and (e) a follow-up report on employment impact estimates, within 12 months after project completion, or two years after bond issuance.

The underwriting process includes review of financial statements and related information, compliance with issuing requirements, and previous projects financed with IRBs. Staff review is based on information about the company, project, job creation and retention, wages and benefits, capital investment, project costs, project funding sources and uses, bond attorney, financial commitment, issuer support, and financial statements. If the IRB application is approved by WEDC, the business receives a volume cap certification.

After WEDC approves an allocation of IRB bonding authority, it sends a letter to the business indicating the amount of bonding authority approved and establishing conditions for the allocation. WEDC must receive a signed letter from a financial institution indicating a commitment to purchase or place the bonds. The Corporation certifies or reserves an allocation of the volume cap for approved projects for 90 days. If the bonds are not sold within 30 days, a deposit of 0.5% of the approved allocation must be submitted to WEDC. The deposit is refunded if the bonds are sold, and forfeited if they are not. After the bonds are issued, notice of the closing must be filed with the Corporation, including a non-refundable fee equal to 0.1% of the amount of the bond issue. The notice is required to include information identifying the buyer and or underwriter, the type of sale (public or private), term, and interest rates.

A municipality or county must go through a public approval process to issue an IRB. The municipality or county first approves an initial resolution indicating official intent to issue IRBs pending satisfactory negotiation of terms. A no-

tice of initial resolution is published. Once published, the bond issue is subject to a petition for referendum if certain requirements, including voter signing requirements, are met. If the petition is filed, the bonds may not be issued until it is approved by majority vote at a general or special election. If no petition is filed within the required time period, or after a bond issue is approved by referendum, the final resolution for issuing the bonds is approved by the municipality or county, after negotiations for the bond issue and a public hearing have been completed.

WEDC allocated a total of \$23,179,000 in IRB volume cap for five projects that closed their bond issues in fiscal year 2012.

Midwestern Disaster Area Bonds. Midwestern Disaster Area (MDA) Bonds were authorized by the federal Heartland Disaster Relief Tax Act of 2008. MDA bonds are federally tax exempt qualified private activity bonds that were used to finance qualifying recovery projects in states within Midwestern disaster areas declared by the president.

The program authorized WEDC and the Governor to reserve \$3,830,112,000 in local government bonding authority for the issuance of tax exempt bonds in designated counties. Proceeds of the bonds were loaned for the purpose of financing property recovery activities following widespread flooding in 2008.

A total of \$50 million per county in bonds was reserved for financing eligible activities including: (a) construction, reconstruction, or renovation of nonresidential property for use by private businesses, including fixed improvements associated with such property; (b) public utility property used to sell electricity, water, gas or steam, sewage disposal, or telecommunications services; (c) non-tax-exempt residential rental property; or (d) owner-occupied single-family principal residences with average values below the 90th percentile.

Eligible counties included: Adams, Calumet, Columbia, Crawford, Dane, Dodge, Fond du Lac, Grant, Green Lake, Iowa, Jefferson, Juneau, Kenosha, La Crosse, Manitowoc, Marquette, Milwaukee, Monroe, Ozaukee, Racine, Richland, Rock, Sauk, Sheboygan, Vernon, Walworth, Washington, Waukesha, and Winnebago.

Beginning in 2011, all unused allocations for each county became part of a single pool of bonding authority used for projects in all eligible counties. Bonds were required to be issued by December 31, 2012.

A total of \$323.8 million in bonds was allocated for 22 businesses in fiscal year 2012.

Manufacturing Clean Energy Revolving Loans. The program provides low-interest loans to manufacturing firms in the clean energy sector to fund expansion projects that retain or create jobs. Loans are awarded to the following type of projects: (a) clean energy advanced manufacturing; (b) clean energy supply chain development; or (c) reduction of fossil fuel use in industrial facilities. Annual funding of \$5 million was provided from state Energy Program repayments. The manufacturing clean energy loan program is administered by WEDC and the State Energy Office. No awards were made during fiscal year 2012.

Community Development Financial and Technical Assistance. The Division provides financial and technical assistance to municipal, county, and regional economic development organizations to support business expansion and community economic development. Community financial assistance programs include the brownfields grant and brownfields site assessment grants programs. The Division, through a formal agreement with the state Department of Administration (DOA) and the federal Department of Housing and Urban Development (HUD), administers the application and awards process for certain small cities Community Development Block

Grant (CDBG) programs. The Division also provides technical assistance for downtown redevelopment projects through the Main Street Program.

Brownfields Grant Program. The brownfields grant program provides financial assistance to individuals, businesses, and local governments for remediating environmental contamination on abandoned, idle or underutilized industrial or commercial sites. The program is governed by both statutory provisions and WEDC administrative policy. Grants may be used to fund brownfields redevelopment or associated environmental remediation activities on eligible brownfield sites with demonstrated soil and/or groundwater contamination. An eligible brownfield site is defined as one or more contiguous industrial or commercial sites where redevelopment is adversely affected by actual environmental contamination.

The amount of an award is determined during a review of a grant application. Grants can be used to fund: (a) environmental investigation, beyond Phase I and Phase II studies, that is needed to define the degree of contamination; (b) environmental monitoring; (c) removal of underground storage tanks or hazardous waste containers; (d) soil removal, capping, barrier installation, and vapor intrusion systems; (e) asbestos abatement, if it is part of a demolition expenditure for a site with extensive soil and/or groundwater contamination; and (f) demolition work to determine the degree and extent of contamination.

A total of \$3.5 million is budgeted for brownfield grants. Statutorily, the maximum grant that can be awarded is \$1.25 million, and matching funds of 20% to 50% of project costs are required depending upon the type and size of award. However, WEDC administrative policy has established the maximum award at \$500,000, with a required match of 70% of eligible project expenditures. The required match can include expenditures for: (a) acquisition of a project site within five years of the application date; (b) site

clearance and building demolition; (c) building rehabilitation; (d) asbestos abatement, under certain conditions; (e) infrastructure improvements; and (f) utility work performed outside a newly constructed building.

WEDC cannot award a grant unless the party that caused the environmental contamination and any person who possessed or controlled the environmental contaminant before it was released is unknown, cannot be located, or is financially unable to pay the cost of associated environmental remediation activities. Brownfields grants proceeds cannot be used to pay state Department of Natural Resources (DNR) or federal Environmental Protection Agency (EPA) liens based on investigation or remediation activities, or to pay delinquent property taxes or interest or penalties related to those taxes.

The brownfields grant program has a competitive continual application process with applications accepted throughout the year. Applications are reviewed by grant underwriters who check the financial status of the business, the environmental status of the brownfield site, and contact the DNR representative for the site to ensure the proposed remediation will lead to environmental closure. In addition, the following factors are considered: (a) the potential to promote economic or community development in the area; (b) the level of contamination at the site; (c) the level of economic distress in the community as measured by the unemployment rate, poverty statistics, plant closings and/or mass layoffs, median family income, or local wages; (d) impact of the project on the environment and public health and safety; (e) size of the site; (f) project costs already incurred; and (g) if the applicant is responding to a bid request or request for proposal from the state. Funding decisions are also based on the following project components: (a) commitment to utilize or occupy the completed site; (b) financial commitment for project expenditures; (c) availability of additional public financing; (d) completed real estate transaction for the site; (e) defined

degree and extent of contamination; (f) commitment to create and/or retain jobs; (g) demonstrable high leverage ratio for grant; (h) positive impact on property values; and (i) community support for the project.

Grant recipients must enter into a contract with WEDC, and must provide the Corporation with regular program and environmental reports to ensure compliance with state and federal rules and regulations. Businesses must provide WEDC with notice if any adverse occurrence could interfere with completion of the project.

Under the statutes, "brownfields redevelopment" includes any work or undertaking to: (a) acquire a brownfields facility or site; and (b) to raze, demolish, remove, reconstruct, renovate, or rehabilitate the facility or existing buildings, structures, or other improvements at the site. The redevelopment project must promote the facility or site for commercial, industrial, or similar economic development purposes. Grants cannot be used to fund construction of new facilities on the site for any purpose other than environmental remediation.

"Environmental remediation" activities include: (a) investigation, analysis, and monitoring of a brownfields facility or site to determine the existence and extent of actual or potential environmental pollution; (b) abating, removing or containing environmental pollution at a brownfields facility or site; and (c) restoring soil or groundwater at a brownfields facility or site.

"Brownfields" are defined as abandoned, idle or underused industrial or commercial facilities or sites, the expansion or redevelopment of which is adversely affected by actual or perceived environmental contamination.

Brownfield Site Assessment Grant Program.

The brownfield site assessment grant (SAG) program was created in 1999 Act 9 to provide local governments with grants to perform the initial

investigation of contaminated properties, and certain other eligible activities. Prior to 2011 Wisconsin Act 32 SAG was administered by DNR. Under provisions included in Act 32, administration of, and the related funding for SAG, were transferred to WEDC. The Corporation administers the program from a separate biennial appropriation from the environmental management account of the segregated environmental fund. The program was appropriated \$1,000,000 SEG in 2011-12.

Local governments may apply for a site assessment grant for eligible sites or facilities. A local government includes a city, village, town, county, tribe, redevelopment authority, community development authority and housing authority. A site or facility is eligible for a grant if it is an abandoned, idle, or underused industrial or commercial facility or site, the expansion or redevelopment of which is adversely affected by actual or perceived environmental contamination. Under the statutes "eligible site or facility" means one or more contiguous industrial or commercial facilities or sites with common or multiple ownership that are abandoned, idle, or underused, the expansion or redevelopment of which is adversely affected by actual or perceived contamination. A local government does not have to own the site, but must have access to it to complete the grant activities. A local government is not eligible for a grant if it caused the environmental contamination that is the basis of the grant request. WEDC may only award a grant if the person that caused the environmental contamination that is the basis for the grant request is unknown, cannot be located or is financially unable to pay the cost of the eligible activities.

The following activities are eligible for a site assessment grant at an eligible site or facility: (a) phase I and II environmental assessments (initial and subsequent more detailed assessments); (b) site investigation of environmental contamination; (c) demolition of structures, buildings or other improvements; (d) asbestos abatement, if it

is a necessary part of demolition activity; and (e) removal and proper disposal of abandoned containers, underground petroleum product storage tank systems, or underground hazardous substance storage tank systems. Attorney fees, accounting costs, and consultant fees are not eligible expenses.

State statutes specify a municipality must provide a match of 20% of the grant amount and no local government may receive a grant that exceeds 15% of the amount appropriated in a year (a \$150,000 maximum in 2012-13). Under WEDC policy, the amount of an award depends upon documented eligible and matching costs, and cannot exceed \$50,000. There is a minimum matching requirement of 50% of project costs. The cost of real estate purchased within five years of the application date, and demolition work not funded with the SAG grant can count toward the required match.

SAG is administered under a competitive continual application process, with applications accepted throughout the year. Applications must include a project budget that includes the costs of the proposed site investigation and demolition activities. The Corporation considers the following factors in making awards: (a) how the project promotes economic or community development; (b) the level of soil and/or groundwater contamination at the site; (c) the level of economic distress in the community as measured by the unemployment rate, poverty statistics, plant closings and/or mass layoffs, median family income, or local wages; (d) impact of the project on the environment and public health and safety; (e) size of the site; (f) project costs already incurred; and (g) commitment to utilize or occupy the completed site.

Grant recipients must enter into a contract with WEDC, and must provide the Corporation with regular program and environmental reports to ensure compliance with state and federal rules and regulations, Businesses must provide WEDC

with notice if any adverse occurrence could interfere with completion of the project.

"Underground hazardous substance storage tank system" means an underground storage tank used for storing a hazardous substance other than a petroleum product together with any on-site integral piping or dispensing system, with at least 10% of its total volume beneath the surface of the ground.

In November, 2012, WEDC awarded three SAG grants totaling \$85,500.

Main Street Program. The Wisconsin Main Street program was established in 1987 to assist state municipalities in revitalizing traditional business districts. Under the program, municipalities are selected to participate in the program through a competitive process. WEDC provides technical support and training to assist municipalities in planning, managing, and implementing projects to revitalize their downtown business areas through comprehensive economic redevelopment and historic preservation. Statutory responsibility for administering the state Main Street program was transferred to WEDC under the provisions of 2011 Wisconsin Act 32. WEDC is required to expend at least \$250,000 annually on the program.

Under the statutes, WEDC must:

a. Enter into contracts to obtain business area revitalization services provided by the National Main Street Center;

b. With assistance from interested individuals and organizations, develop a plan describing the objectives of the state Main Street program, and the methods by which the Corporation will: (1) coordinate the activities of that program with public and private sector business area revitalization; (2) solicit and use private sector funding for business area revitalization; and (3) assist municipalities to engage in revitalization of business areas;

c. Coordinate with other state and local, public, and private entities that provide services to municipalities undertaking revitalization projects for business areas;

d. Annually select up to five municipalities representing various geographic areas and populations to participate in the state Main Street program for five years. (In 2007, communities began being designated over a two-year period, rather than annually.) A municipality can participate in the program more than one time. However, WEDC may give priority to municipalities that have not previously participated in the program;

e. Develop criteria for selecting participants in the state Main Street program relating to at least the following: (1) private and public sector interest in, and commitment to revitalization of a business area selected by the municipality; (2) potential private sector investment in the selected business area; (3) local organizational and financial commitment to employ a program manager for at least five years; (4) local assistance in paying for the services of a design consultant; and (5) local commitment to assist in training persons to direct activities related to business areas in municipalities that do not participate in the state main street program.

f. Provide training, technical assistance, and information on the revitalization of business areas to municipalities which do not participate in the state Main Street program. WEDC is authorized to charge reasonable fees for technical information and services.

The Wisconsin Main Street program supports local Main Street groups in structuring programs that include four elements (developed by the National Main Street Center): (a) strong organization; (b) aggressive and varied promotion; (c) attention to design and historic preservation; and (d) economic restructuring of the commercial district.

Generally, any municipality can apply to WEDC to participate in the state Main Street program. Up to five communities are selected biennially for the program based on review and ranking of applications. Before WEDC considers an application, the Corporation must receive a letter of intent to apply signed by the chief elected or administrative official of the municipality, and a representative must attend a pre-application workshop conducted by the Corporation. Applications must include specific information related to the historical significance of the area to be revitalized, economic activity in the area, evidence of local private and public sector interest, organization, and commitment to the revitalization project, and description of potential private sector investment in the area.

Communities are selected to participate in the state Main Street program through a competitive review process based on the following criteria:

a. *Need.* The need for the program in the municipality, and its expected impact on the municipality.

b. *Organizational Capability.* The capability of the applicant to successfully implement the Main Street program.

c. *Public Sector Commitment.* The level of public sector interest and commitment.

d. *Private Sector Commitment.* The level of private sector interest and commitment.

e. *Financial Capacity.* The financial capability to employ a full-time executive director (at least half-time, if the population of the community is 5,000 or less), fund a local Main Street program, and support business-area projects. A variety of funding sources should be utilized. A minimum budget of \$70,000 annually (including in-kind donations) is expected of applicants hiring a full-time executive director, and a minimum budget of \$40,000 annually is expected of appli-

cants hiring a part-time director.

f. *Physical Capacity.* The cohesiveness, distinctiveness, and variety of business activity conducted in the proposed Main Street program area.

g. *Historical Identity.* The historic significance of the proposed area, and the interest in and commitment to historic preservation.

In cases where there are two highly-rated municipalities, WEDC bases the selection on which community adds more to the geographic variety, or variety of community size.

Services provided by Main Street staff to designated Main Street communities during the first five years include:

a. *Director Orientation and Training Sessions.* Staff provide a two-day orientation and training session to new Main Street executive directors, and quarterly two-day workshops for managers and volunteers.

b. *Volunteer Training Programs.* On-site training is provided to committees and individuals in Main Street communities focusing on the four-point approach to downtown revitalization and specific topics.

c. *Workplan Assistance.* Staff assist communities in identifying goals and objectives, establishing priorities, and developing projects for the year (developing a workplan).

d. *Design Assistance.* Assistance is provided to property owners and merchants in local Main Street districts. The Main Street architect addresses design issues related to revitalization of historic commercial buildings.

e. *Business Counseling.* Existing and potential business owners in Main Street districts are provided on-site confidential counseling services in areas such as marketing, business planning,

advertising, financial analysis, and inventory control. Follow-up assistance is also provided.

f. *Advanced Technical Visits.* State Main Street staff and outside consultants provide on-site technical assistance through one or two-day visits targeted to meet the specific needs of the community. Visits have included technical assistance on streetscape design, merchandising, volunteer development, preservation planning, and waterfront development.

g. *Downtown Market Assistance.* Program staff, with the assistance of the University of Wisconsin-Extension Center for Community Economic Development, assist Main Street communities in completing a downtown market analysis focusing on community and business development.

h. *Progress Visits.* Wisconsin Main Street staff assist Main Street communities in assessing progress and addressing specific issues on one or two-day visits.

i. *Resource Materials.* Program staff provide Main Street communities with resource material, such as manuals and slide programs, on downtown revitalization topics.

Table 5 shows Wisconsin Main Street participants as of December, 2012.

In addition to administering the Main Street program, WEDC staff provide general outreach services to communities that are interested in revitalizing their downtowns including: (a) field trips to acquire information about revitalization projects and strategies; (b) application workshops to assist revitalization project operations; (c) offsite assistance through telecommunications and mail; (d) providing information from case studies; (e) maintaining the Wisconsin Main Street Library, with information related to downtown revitalization, preservation, and development; (f) the Main Street Speaker's Bureau

Table 5: Main Street Participants

1988	Beloit, Eau Claire, Ripon, River Falls, and Sheboygan Falls
1989	Antigo, Chippewa Falls, Marinette, Stoughton, and Viroqua
1990	Ashland, De Pere, Marshfield, Shawano, and Sparta
1991	Burlington, Dodgeville, and Rice lake
1992	Columbus and Richland Center
1993	Mauston, Mineral Point, Park Falls, Tigerton, and Wautoma
1994	Sharon and Sturgeon Bay
1995	Clintonville, Green Bay -- on Broadway, and Phillips
1996	Pewaukee, Two Rivers, Darlington, and Waupaca
1997	Blanchardville, Black River Falls, and Osceola
1999*	Eagle River, Platteville, and West Bend
2000	Algoma, Crandon, and Watertown
2001	Milwaukee-Lincoln Village, and West Allis
2002	Gillett, Mishicot, and Wausau
2003	Portage
2004	Stevens Point and Fond du Lac
2005	Monroe and Prairie du Chien
2006	Lake Mills, Rhinelander and Whitewater
2008**	Manitowoc, Port Washington, and Tomahawk
2011**	Waterford, and Omro

*The timing of selection as changed in 1998, delaying the selection of communities until 1999.

**Beginning in 2007, the Department started designating main street communities for a two-year period.

through which local directors provide lectures on downtown revitalization topics, such as, fundraising, business recruitment, retail events, and promotional campaigns.

Division of Business and Industry. The Division makes leveraged investments in targeted industries through partnerships with industry-led consortia. Financial assistance is allocated to targeted industry sectors based on specific investment criteria. The Division works with the Executive Office to align workforce with economic development activities in the state. The Division is also responsible for responding to short duration opportunities for economic development activities that would have a substantial economic development impact, and require mobilization of resources, such as responding to a large federal grant, public/private collaborative project, or significant business recruitment opportunity. The Division also includes WEDC's industry research staff that monitor, measure, and report on key economic benchmarks of the state's overall economic health. The research is both ongoing, and

targeted, and urgent action is identified for specific economic sectors, industries or regions.

The Division of Business and Industry also administers the Minority Business Development program, which provides technical and financial assistance to minority business owners, entrepreneurs and resource organizations. The program also provides technical and financial assistance to local minority revolving loan funds to increase capital available to minority business and entrepreneurs.

The Division's primary partners include: the Wisconsin Manufacturing Extension Partnership (WMEP), Northwest Wisconsin Manufacturing Outreach Center (NMOC), minority-focused revolving loan funds, Department of Workforce Development (DWD), Department of Revenue (DOR), and WHEDA.

Wisconsin Manufacturing Extension Partnership (WMEP). WEDC provides financial assistance to WMEP to support their business services. The Corporation budgeted \$1.0 million for

WMEP in fiscal year 2011-12. WMEP is an affiliate of the National Institute of Standards and Technology's (NIST) Hollings Manufacturing Extension Partnership (MEP), a national network of 59 centers that provide assistance to small and midsize manufacturers. WMEP has developed a network of partners, including the University of Wisconsin System and Extension, Wisconsin Technical College System (WTCS), Milwaukee School of Engineering, WEDC and BT Squared, Inc., a civil and environmental engineering firm.

WMEP provides expert and accessible services to small and midsize manufacturers in Wisconsin in the areas of growth and innovation, continuous improvement, training, export assistance, and supply chain management and sustainability. WMEP designed Next Manufacturing Services that include: (a) customer focused innovation through marketing activities, new product development and service, and sales support and implementation; (b) systemic continuous improvement by setting new performance standards for enterprise operations, enterprise quality, integrated cost management, lean culture development and manufacturing, and enterprise transformation and strategic planning; (c) advanced talent management through leadership development and manufacturing skills certification; (d) global engagement techniques for marketing products and services globally; (e) extended enterprise management through improving supply chain organization; and (f) sustainable products and process development that reduce the organization's environmental footprint and improve operating performance.

Northwest Wisconsin Manufacturing Outreach Center (NWMOC). WEDC budgeted \$200,000 in 2011-12 to support NWMOC business services. NWMOC is a partnership between the University of Wisconsin-Stout (UW-Stout), five technical colleges (Chippewa Valley, Nicolet Area, Northcentral, Western, and Wisconsin Indianhead), the UW-Eau Claire Small Business Development Center, the 7 Rivers Alliance, and

WEDC. Services provided by NWMOC include: (a) strategic direction, including using assessment and benchmarking tools to develop goals, assessing opportunities for improvement, participating in the profitable sustainability initiative to optimize production operations, strategic planning, and implementing energy efficiency projects; (b) top-line growth, which involves market diversification to develop new markets and customer bases, entering and expanding global markets, and using various research methods to address technology-based needs; (c) process improvement, including services designed to improve the responsiveness to, and satisfaction of, customers, implement operational improvements, and reduce capital costs and eliminate waste using tools such as lean manufacturing, value stream mapping, and workplace organization; and (d) addressing hiring, development, engagement, and retention of company employees to improve the business culture.

Wisconsin Procurement Institute. The Institute is a nonprofit organization established in 1987 that assists Wisconsin businesses in obtaining federal contracts, especially defense contracts. The Institute provides: (a) business advice and technical expertise related to government contracts; (b) technical training and education in locating and analyzing market intelligence and process; (c) knowledge and training to improve competitiveness in obtaining government contracts; and (d) supplemental assistance, such as providing current market information to state firms. WPI has also engaged successful state government contractors to mentor and teach developing small business suppliers. WPI works with the state congressional delegation and staff, and co-hosts certain annual conferences and outreach events. WEDC provided \$130,000 to WPI in 2011-12.

Minority Revolving Loan Funds (RLFs). The Division provided \$300,000 in funding for minority RLFs, including matching funds required for federal grants and foundation awards, fund

loan loss reserves for U.S. Small Business Administration (SBA) and U.S. Department of Agriculture (USDA) funds, and funding for one-time start-up costs to leverage additional funding. Funding is targeted to new business creation in minority businesses that are generally undeserved by commercial lending institutions and SBA financing. The Division also provides funding for capacity building course fees for minority RLF administrators, studies and reports supporting minority business development organization (MBDO) strategy, strengths, weaknesses/limitations, opportunities, and threats (SWOT) analysis, and sponsoring conferences and workshops with MBDOs.

Major Economic Development Projects.

The major economic development program provides funding to projects with the potential for high impact on employment and economic growth in targeted industries. The projects must be actively led by industry consortia, have significant private sector investment, have actionable strategic goals, and operations plans with targeted timelines for achievement of goals. Division staff identify targeted industry sectors through criteria-based assessment, and funding is allocated to sector projects based on the criteria. There must be a minimum 3 to 1 ratio of private to public sector investment. A total of \$10 million was budgeted for this program in 2011-12.

Division of International Business Development. The Division provides technical assistance and services to state businesses in three export development areas: (a) export education; (b) market entry; and (c) market development. The Division also provides financial assistance through the Global Business Development Grant Program.

The Division staff are responsible for developing the strategy for, and execution of, export development activities in their defined geographic region. Division staff services include technical consultations to Wisconsin businesses on

the export process, and related export compliance issues. Staff provide assistance in identifying and accessing markets for products, complying with import regulations, and marketing and distributing the products in foreign countries for firms that are new to exporting, or expanding exports. Staff also respond to export-related requests from businesses.

In fiscal year 2012, the Division contracted with outreach offices in Brazil, Canada, China, and Mexico, and representatives in other countries that have detailed knowledge of country-specific import rules and regulations, and have contacts with foreign importers, distributors, and government officials. The offices and representatives provide state export businesses with information about local markets and regulations, access to local distributors and purchasers, and identify potential investors. A total of \$373,400 was budgeted in 2011-12 for foreign trade offices and representatives.

Division staff also plan and implement special events and foreign trade missions.

The Division partners with WMEP and NWMOC to provide ExporTech to qualified Wisconsin businesses. As noted, financial assistance is provided through the Global Development Grant Program.

ExporTech. WEDC partners with WMEP and NWMOC to provide ExporTech, which is a program designed to accelerate a business' timeline for marketing products in foreign countries. The program helps develop a customized international growth plan for the company's product in key foreign markets. Participating companies receive targeted training focused on the company's specific needs, individual support provided by a team of export specialists, and guided development of an international growth plan. Companies must have some prior exporting experience, and commit senior level management to participate in the program. A participation fee of \$5,000 is required.

Global Business Development Grant Program. The global business development grant program provides funding to support export training, development, and promotion activities to eligible Wisconsin firms to initiate or expand exports. The program includes two grant components: (a) export development grants; and (b) international market access grants.

Export Development Grants. The program provides grants of up to \$3,000 to small and midsize companies that are new to exporting, or demonstrate a specific export development need. Grants can be used for the costs of participating in WEDC-approved export seminars, educational events, and/or expenses associated with developing an export marketing strategy.

International Market Access Grants. The program provides grants of up to \$10,000 to eligible businesses for expenses related to executing a new, and/or expanding an international market access strategy. Grants can be used to fund the costs of company trade show exhibitions, business matchmaker services, certified/sanctioned overseas trade missions, website and company and product literature localization and translation for international markets, and/or consulting services required to meet certification standards to export a product. At least 50% of the manufactured value of the product, or of the performance value of the service must be provided in Wisconsin. The business must provide a match of at least 50% of the expenditures reimbursed by the grant, and 25% of the total activity budget. A grant recipient must provide proof of payment, and WEDC must approve any expenses incurred before grant funds can be expended.

Expenditures that cannot be funded with global business development grants include, but are not limited to, the following: (a) membership fees to join industry-specific or trade-related associations; (b) subscriptions to relevant industry and/or trade publications; (c) salaries; (d) living expenses; (e) office costs; (f) allowances; (g) of-

fice parking fees; (h) communications costs relating to international trade show participation; (i) airfare; (j) mileage; (k) lodging; (l) passport and visa costs; (m) expenses for non-company personnel; (n) refundable deposits and advances; (o) design of marketing materials and websites used exclusively for domestic markets; (p) rental, lease, or purchase of warehouse space; (q) purchase, construction, or lease of space for permanent display; (r) meals; (s) business cards; (t) product research and development; and (u) capital expenditures.

To be eligible for a grant, the business must be an established business, operating in Wisconsin that manufactures, processes, assembles, and/or distributes a product, or that performs a service, with a potential to be exported. Businesses must apply to WEDC for global business development grants and demonstrate that the increased exports will have a significant impact on the state economy. Grant recipients must complete a close-out evaluation with Division staff.

Division of Marketing and Communications. The Division administers the state branding campaign "In Wisconsin" which includes paid advertising, marketing, development of a new website (www.inwisconsin.com), videos, and related communications and materials to promote the benefits of starting, expanding, or locating a business in Wisconsin. The Division manages WEDC media relations, and produces marketing and informational materials. Division staff also manage a number of Corporation activities including trade shows, sales meetings, business meetings, and virtual events.

Division of Finance and Administration. The Division provides administrative services that support the enterprise functions of WEDC and its operating Divisions. The Division of Finance and Administration implemented a number of administrative changes in 2011-12 including adopting GAAP financial reporting, launching Salesforce.com, a cloud-based customer relation-

ship and workflow management system, replacement of the telephone and IT systems, deployment of a new human resource management team, initiating a process management (lean) support service, and consolidation of staff in one location.

The Division's ongoing functions include human resources, information technology (IT), compliance, process improvement, financial underwriting, and the Controllers office. The human resources team administers recruitment, compensation, and benefits, and supports staff training and advancement. The IT team provides technology services for WEDC. The services include applications development, systems analysis, IT infrastructure, systems integration, and related technical support. The process improvement team is responsible for measuring, evaluating, and improving WEDC processes. The compliance team administers reporting processes for partners and award recipients, and ensures compliance with WEDC contract provisions and state and federal laws and regulations. The Financial underwriting team evaluates projects for WEDC financial assistance, and develops financial incentive packages for business start-up, relocation, or expansion projects.

Executive Office. The Office is responsible

for general administration of the Corporation and strategic planning. Office employees work with the Board of Directors to set annual and long-term strategies and goals, coordinate strategies and recommend economic development policy initiatives to the Legislature and Governor, and act as liaison with state and federal agencies.

Economic Development Tax Credit Programs. In addition to WEDC grant and loan programs, the state offers a variety of tax credits to encourage specific types of business investment in Wisconsin. Table 6 identifies the active tax credit programs administered in part by WEDC. Refundable programs are typically backed by a sum sufficient appropriation to reimburse taxpayers for allowable credit amounts that exceed their tax liability in a given year. Generally, tax credits that are not refundable may be carried forward to offset tax liabilities in a future year. Attachment 3 shows all business-related tax credits currently offered by the state and the estimated cost of the credits in the 2011-13 biennium. In addition, WEDC is required to certify certain businesses as eligible for certain types of investments that qualify for capital gains exclusion or deferral. More detailed information on state tax credit programs can be found in Legislative Fiscal Bureau Informational Papers "Individual Income Tax" and "Corporate Income/ Franchise Tax."

Table 6: WEDC Administered Tax Credits

Program	Type
Enterprise Zones	Refundable
Jobs	Refundable
Economic Development	Not Refundable
Early Stage and Angel Business Investment	Not Refundable, but transferrable
Development Opportunity Zones	Not Refundable, but carry forward

ATTACHMENT 1

Wisconsin Economic Development Corporation 2012 Board of Directors

Officers

Scott Walker, Chair
Governor
State of Wisconsin

Dan Ariens, Vice-Chair
President and CEO
Ariens Company

Scott Klug, Treasurer
Managing Director of Public Affairs
Foley and Laudner

Lisa Maurer, Secretary
President
Tool Service Corporation

Legislators

Representative Peter Barca
64th Assembly District

Representative Mary Williams
87th Assembly District

Senator Rich Zipperer
33rd Senate District

Senator Julia Lassa
24th Senate District

Members

Raymond Dreger
CEO/President
Seeds and Stuff Farm Market, Inc.

Donald Weber
Founder/CEO
Logistics Health, Inc.

Paul Radspinner
President/CEO
Flugen, Inc.

Corey Hoze
Senior Vice President of Government relations and Regulatory Affairs
Associated bank

C. Thomas Sylke
Sylke Law Offices

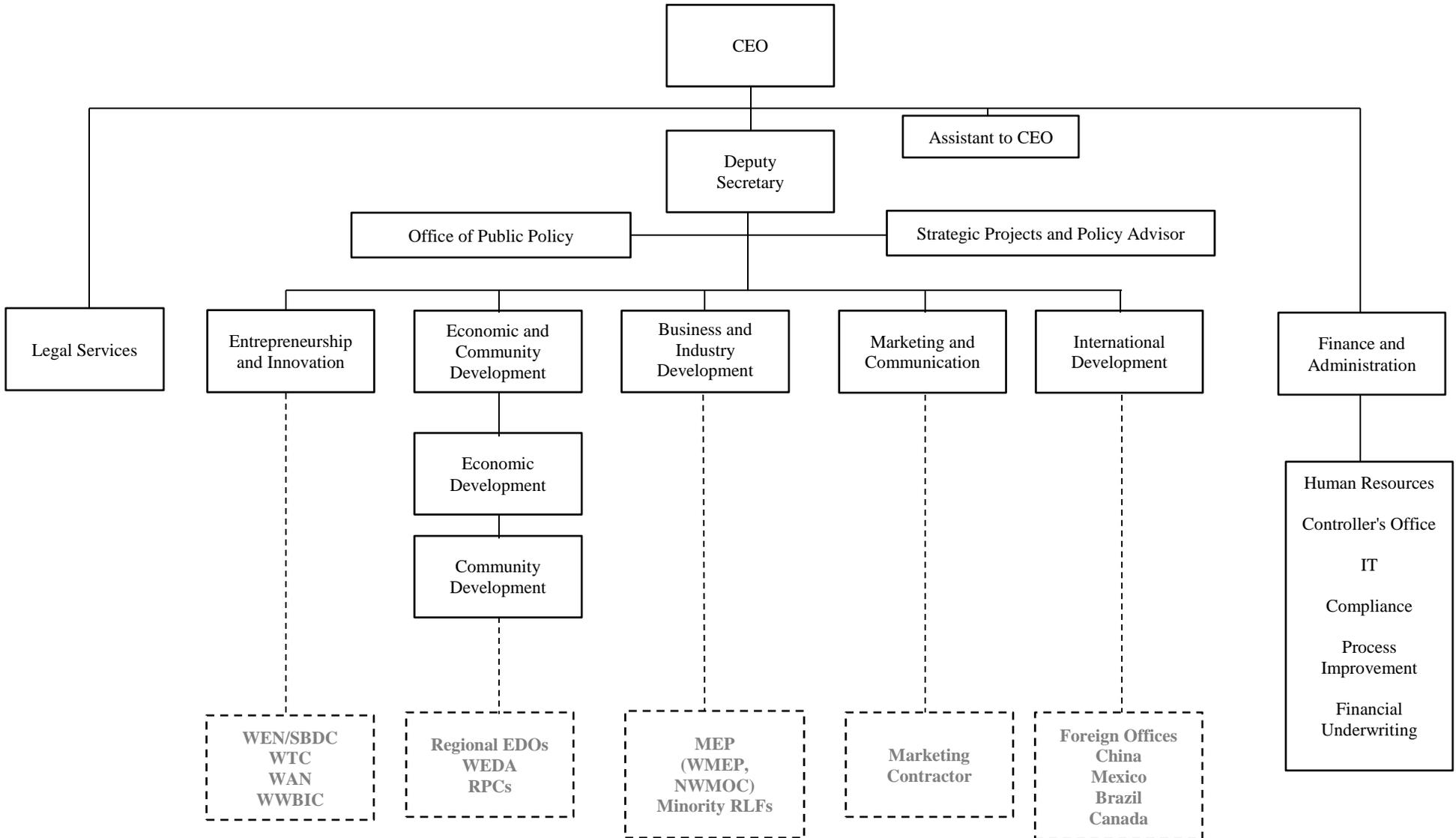
Nonvoting Members

Mike Huebsch
Secretary
Department of Administration

Richard Chandler
Secretary
Department of Revenue

ATTACHMENT 2

Wisconsin Economic Development Corporation Organizational Chart



ATTACHMENT 3

Wisconsin Business Tax Credits (\$ in Millions)

Nonrefundable Tax Credits	2011-12	2012-13
Qualified Production Activities Income (a)	N.A.	\$10.1
Economic Development (b)	\$21.7	22.9
Research Expense (c)		
Research Expense	30.7	30.7
Engine Research	5.8	5.8
Energy Efficient Systems	<u>0.8</u>	<u>0.8</u>
Total	37.3	37.3
Research Facilities (c)		
Research Facilities	1.7	1.7
Engine Research	0.3	0.3
Energy Efficient Systems	<u>0.5</u>	<u>0.5</u>
Total	2.5	2.5
Super Research and Development (d)	10.0	10.0
Early Stage Investment Tax Credits (e)		
Angel Investment	5.5	6.4
Early Stage Seed	<u>2.5</u>	<u>3.1</u>
Total	8.1	9.5
Dairy and Livestock Farm Investment Tax Credits (f)	7.9	9.5
Manufacturing Investment (c)	1.4	1.4
Manufacturer's Sales Tax Credit Carry-Forwards (c)	0.2	0.2
Post-Secondary Education (g)	0.3	0.3
Electronic Medical Records (d)	2.5	10.0
HIRSP Assessments (c)	5.0	5.0
Community Rehabilitation Program (h)	0.3	1.1
Ethanol and Biodiesel Fuel Pump (c)	0.1	0.1
Biodiesel Fuel Production (d)	0.5	1.8
Water Consumption (i)	0.3	0.3
Internet Equipment (j)	Minimal	Minimal
Relocated Business (i)	\$0.5	\$0.5
Community Development Finance (c)	Minimal	Minimal
Supplement to Federal Historic Rehabilitation (c)	2.1	2.1
Development Opportunity Zones (k)	2.0	3.0
Increased Employment Exclusion (i)	33.5	33.5
Jobs (L)	<u>2.8</u>	<u>N.A.</u>
Total Nonrefundable	\$139.0	\$161.1

Refundable Tax Credits	2011-12	2012-13
Enterprise Zone (m)	\$13.8	\$48.6
Jobs (L)	N.A.	9.0
Dairy Manufacturing Facility (n)	1.4	1.4
Meat Processing Facility (n)	0.7	0.7
Food Processing Plant and Food Warehouse (n)	0.7	0.7
Film Production (n)	0.5	0.5
Woody Biomass (o)	0.9	0.9
Beginning Farmer and Farm Asset Owner (d)	0.9	1.2
Farmland Preservation (p)	<u>27.8</u>	<u>27.6</u>
Total Refundable	\$46.7	\$90.6
Net Refundable/Nonrefundable	\$185.6	\$251.7

(a) The credit is phased in over four years -- 1.875% in 2013, 3.75% in 2014, 5.526% in 2015, and 7.5% in 2016, and thereafter. The credit will reduce state income and franchise tax revenues by an estimated \$128.7 million when fully phased-in in FY 2016-17. Estimate based on aggregate and tax return data from DOR.

(b) Estimate based on WEDC and DOR historical credit allocations and claims data. Total aggregate credit limit of \$128.3 million projected to be reached in 2014.

(c) Estimate from 2011-13 Tax Exemption Devices report and/or updated aggregate data from DOR.

(d) Budget estimate, 2009 WI Act 28.

(e) Based on historical credit allocation data from WEDC, and tax return credit claims and used credit information from DOR.

(f) Based on DOR 2011-13 Tax Exemption Devices report estimate, adjusted to reflect estimated effect of 2011 WI Act 15, which extended the credit to 2016.

(g) Estimate based on tax year 2010 returns and projected UW System tuition increases.

(h) Based on a 2009 survey of community rehabilitation program contracts conducted by Rehabilitation for Wisconsin.

(i) Fiscal estimate of enacting legislation.

(j) All eligible investments were required between 7/1/07 and 7/1/09. Unused credit carry-forwards could remain.

(k) Based on credit allocations to businesses in previously created zones.

(L) Credit nonrefundable for tax years 2010 and 2011. Estimate based on WEDC credit allocations and projections of future credit claims. Includes \$3.1 million in reallocated early stage business credits. Does not include an estimated \$17.6 million in 2011-12 and \$17.1 million in 2012-13, in unused early stage business investment credits, that could be reallocated to jobs credits.

(m) Based on WEDC credit allocations and WEDC experience in administering the EZ program.

(n) Total credit allocations reach the maximum limit annually.

(o) No credits were claimed in FY 2010-11. The Act 269 fiscal estimate was \$900,000 GPR annually.

(p) 2011 Act 32 estimates. Claimants subject to farmland preservation agreements can claim the credit under pre-2010 tax credit provisions.