

Clearinghouse Rule 10-079

**ORDER OF THE
DEPARTMENT OF COMMERCE**

CREATING RULES

The Wisconsin Department of Commerce proposes an order to repeal and recreate chapter Comm 106 relating to the Wisconsin Development Fund, and affecting small businesses.

Rule Summary

1. Statutes Interpreted.

Section 560.203 – and Subchapter V of chapter 560, as affected by 2007 Wisconsin Act 20 and 2009 Wisconsin Acts 2, 28, and 265.

2. Statutory Authority.

Sections 227.11 (2) (a), 560.602, and 560.68.

3. Explanation of Agency Authority.

Section 227.11 (2) (a) of the Statutes authorizes the Department to promulgate rules interpreting the provisions of any Statute administered by the Department. Section 560.602 requires the Department to promulgate rules establishing the policies and procedures for awarding grants and loans through the Wisconsin Development Fund. Section 560.68 requires the Department to establish criteria for the types of projects that are eligible for funding and the types of eligible projects which will receive priority.

4. Related Statute or Rule.

Several statute sections and other Departmental rules address financial incentives for business and economic development in Wisconsin. For example, (1) sections 560.70 to 560.7995 of the Statutes and chapters Comm 100, 107, 112, and 118 address statewide tax-credit programs for job creation, capital investment, employee training, and corporate headquarters; and (2) several other sections of chapter 560 and other Comm chapters address more-narrowly targeted economic development incentives, such as for film productions, dairy manufacturing facilities, technology commercialization, rural economic development, and brownfield redevelopment.

5. Plain Language Analysis.

These rule changes would update chapter Comm 106 to make it consistent with the portions of 2007 Wisconsin Act 20 and 2009 Wisconsin Acts 2, 28, and 265 that address the Wisconsin Development Fund, as administered by the Department under subchapter V of chapter 560 of the Statutes. For example, these rule changes would repeal all of the current requirements

relating to the Economic Policy Board that exists under section 15.155 (2) of the Statutes, due to the corresponding repeal of associated requirements in 2009 Wisconsin Act 265.

These rule changes would more effectively direct economic development grants and loans toward capital financing, worker training, entrepreneurial development, providing assistance to technology-based business or to businesses at a foreign trade show or event, promoting urban or regional economic development, establishing revolving loan funds, providing working capital, and promoting employee ownership.

6. Summary of, and Comparison With, Existing or Proposed Federal Regulations.

The Department is not aware of any existing or proposed federal regulation that addresses these proposed rule changes.

7. Comparison with Rules in Adjacent States

Illinois

Illinois offers several grant and loan programs that are similar to those available through the Wisconsin Development Fund. The *Illinois Large Business Development Program* provides grants to any business which is expanding or relocating and which is (1) creating or retaining a significant number of jobs or (2) investing significant private resources. Though the *Manufacturing Modernization Loan Program*, Illinois provides loans at sub-prime rates to existing manufacturing companies which are retooling, upgrading equipment, or expanding their business, and which employ fewer than 500 full-time employees. Loan amounts range from \$10,000 to \$750,000 and are limited to 25% of the total project cost. Funding under both programs is available to finance building construction or renovation, and to purchase land or buildings, and certain types of machinery and equipment.

The *Employer Training Investment Program* provides single-company or multi-company grants to individual companies, intermediary organizations, and original equipment manufacturers, to reimburse them for up to 50% of the cost of training employees. Grants are available to single companies that are expanding, introducing more efficient technologies or continuous improvement systems, or providing training to employees threatened with layoff. Additional incentive funds may also be provided to companies undertaking permanent expansion, location, or retention projects.

Illinois also operates a *Rural Micro-Business Participation Loan Program* that provides subordinated loans of up to \$25,000 (50% of a project) to rural micro-businesses through participating lending institutions. The borrower provides equity of at least 10% up to \$1,000.

Iowa

Iowa provides funding to support capital financing, entrepreneurial development, worker training, foreign trade show assistance, and research and development, through a number of programs. The *Grow Iowa Values Financial Assistance Program* provides loans and forgivable loans to companies which create new employment opportunities or which retain existing jobs and make new capital investments in Iowa. Eligible project costs include land or building acquisition, building construction or remodeling, site preparation, and the purchase of machinery and equipment, computer hardware, and furniture and fixtures. Businesses must meet county wage threshold requirements.

The Iowa *Networking Fund* provides reimbursement of up to \$5,000 for networking events designed to generate new innovations, partnerships, and deal flow in the advanced manufacturing, biosciences, or information technology industries.

Iowa also offers several employee training programs including the *Information Technology Training Program*, the *Iowa Industrial New Jobs Training Program*, and the *Iowa Jobs Training Program*. These programs provide (1) funding to IT firms to upgrade technical skills of existing high-level employees; (2) no-cost or reduced-cost job training services to new employees of eligible businesses, through Iowa's community college system; and (3) job training services to current employees of eligible businesses in Iowa. Iowa's employee-training programs are not structured primarily as business expansion or retention tools, as is the case under the Wisconsin Development Fund.

The *Export Trade Assistance Program* pays for up to 75% of an Iowa company's eligible cost to participate in a trade show or trade mission outside of the United States. An applicant may receive up to \$3,000 in assistance per event up to three times per year. The applicant must have fewer than 500 employees (75% of whom are employed in Iowa), and the product or services exhibited must be manufactured, processed, value-added, grown, or raised in Iowa.

Michigan

Michigan offers capital financing, worker training, and employee ownership, through several programs. The Michigan *Charter One Job Creation Loan Program* provides first-lien loans to companies currently doing business in Michigan or to those planning a significant investment in Michigan. Loans are limited to 75% of total project costs and range from \$500,000 to \$10,000,000. Eligible project costs include the cost to purchase or upgrade machinery or equipment and the cost of building acquisition or remodeling.

Michigan's Economic Development Job Training Program provides training resources to retain and attract businesses and workers. Priority funding is provided to projects that meet at least two of the following criteria: demonstrate a need for highly skilled training; invest in Michigan through the purchase of property or equipment; create or retain high-wage or high-skill jobs; or train workers in advanced manufacturing or materials, life sciences, technology, homeland security or defense, or alternative energy industries. Businesses are required to provide a 30% match for training incumbent workers, and training must be provided to Michigan residents only. Funding may be provided directly to companies if at least 100 jobs will be created or if the company employs fewer than 50 employees.

Michigan also provides services to any company, individual, or organization interested in *employee ownership*. These services include general consulting and information on employee ownership program options, referrals to specialists who can assist in designing and implementing an employee stock ownership plan, identification of funding sources and options, and referrals to other technical assistance and training programs.

Minnesota

Minnesota provides capital financing and worker training assistance through the following two programs. The *Minnesota Investment Fund* provides grant funding to municipal governments to offer low-interest loans to businesses in the industrial, manufacturing, and

technology-related industries. Grants are limited to a maximum of \$500,000, and projects must be at least 50% privately financed. Eligible costs include the cost to purchase land, machinery, and equipment.

Minnesota also provides *Training Grants* of up to \$400,000 to educational institutions to support training-related costs or infrastructure improvements that benefit businesses located in or intending to locate within Minnesota. Businesses are required to provide at least a one-to-one match on program funds. Funds are given to training providers rather than individual businesses.

8. Summary of Factual Data and Analytical Methodologies.

The data and methodology for developing these rule changes were derived from and consisted of (1) incorporating the criteria in 2007 Wisconsin Act 20 and 2009 Wisconsin Acts 2, 28, and 265 that address the Wisconsin Development Fund; and (2) incorporating applicable best practices the Department has developed in administering similar programs for economic and business development.

9. Analysis and Supporting Documents Used to Determine Effect on Small Business or in Preparation of an Economic Impact Report.

The primary documents that were used to determine the effect of the rules on small business were 2007 Wisconsin Act 20 and 2009 Wisconsin Acts 2, 28, and 265. The portions of those Acts relating to the Wisconsin Development Fund apply their private-sector requirements only to businesses for which a corresponding grant or loan is desired.

10. Effect on Small Business.

These rule changes are not expected to impose significant costs or other adverse impacts on small businesses because the rules address submittal of documentation, and other activities, only by applicants that choose to pursue grants or loans from the Wisconsin Development Fund.

11. Agency Contact Person.

John Stricker, at Wisconsin Department of Commerce, Bureau of Business Finance, 201 West Washington Avenue, Madison, WI, 53703; telephone: (608) 261-7710; or E-Mail: John.Stricker@wi.gov.

12. Place Where Comments Are to Be Submitted, and Deadline for Submission.

Comments on the proposed rules may be submitted by e-mail to sam.rockweiler@wi.gov, no later than August 11, 2010. If e-mail submittal is not possible, written comments may be mailed, by the same date, to Sam Rockweiler, Department of Commerce, Division of Environmental and Regulatory Services, P.O. Box 14427, Madison, WI 53708-0427.

File reference: Comm 106/rules analysis