



## Legislative Fiscal Bureau

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April 24, 2003

Joint Committee on Finance

Paper #215

### Funding for Forward Wisconsin (Commerce)

[LFB 2003-05 Budget Summary: Page 99, #5]

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#### CURRENT LAW

Forward Wisconsin is a 501(c)(3) nonprofit organization created in 1984 to attract business to Wisconsin. Forward Wisconsin focuses on promotion and marketing in an effort to attract expanding and relocating businesses to the state. The organization also markets the state as a destination for job seekers and to attract former residents to help address labor shortages. Forward Wisconsin is provided base funding of \$475,000 GPR annually through Commerce.

#### GOVERNOR

Delete \$95,000 GPR annually in funding for Forward Wisconsin.

#### DISCUSSION POINTS

1. Forward Wisconsin focuses on marketing Wisconsin to out-of-state companies to attract new businesses, jobs, and increased economic activity to the state. In 2000, the organization created the Great Jobs Wisconsin division to recruit workers to Wisconsin from outside the state. Forward Wisconsin has a staff of eight people, with offices in Madison, Eau Claire, Waukesha and Chicago, and an annual budget of about \$1 million.

2. Forward Wisconsin's marketing plan focuses on six target industries: (a) computer and data processing; (b) plastics; (c) forest products (hardwood, plywood); (e) business services; (f) biotechnology; and (g) production machinery and equipment. The secondary target is customer service centers. Forward Wisconsin uses a range of marketing tools including : (a) direct mail campaigns and follow-up telemarketing to targeted industries and geographic areas; (b) out-of-state prospecting trips to meet with CEOs interested in locating in Wisconsin; (c) trade show appearances

at targeted industry expositions; (d) print advertising campaigns directed toward geographically targeted publications and target industry journals; (e) image-building campaigns; (f) special event promotion; (g) building and site selection services, including information through SitesWi.com; and (h) internet information provided through the organization's website (ForwardWi.com). Forward Wisconsin also provides business cost comparisons, financial information and a variety of business consulting services on a confidential, no-cost basis.

3. Forward Wisconsin conducts two major prospecting trips to major metropolitan areas, typically to Chicago and Minneapolis/St. Paul, and also conducts one or two minor prospecting trips to smaller communities or specific target industries. According to staff, a major prospecting trip takes about three months from the planning phase until it is completed and requires follow-up with CEOs who continue to show interest in expanding in Wisconsin. The major steps in planning, organizing, and conducting a prospecting trip include: (a) purchasing or obtaining a mailing of targeted CEOs for the metropolitan area; (b) developing a letter from the Governor and other direct mail pieces (such as advantages of doing business in Wisconsin); (c) mailing the letter and other information to CEOs; (d) advertising the prospecting trip in local business publications; (e) telemarketing of CEOs to make appointments with economic development team members; (f) conducting meetings with interested executives; (g) identifying leads--businesses with plans to expand within the next 18 months that have a defined interest in Wisconsin as a company location; and (h) conducting follow-up activities to remain in contact with interested CEOs. In fiscal year 2001-02, Forward Wisconsin directly contacted through letters and follow-up telemarketing more than 7,500 CEOs in the Chicago and Minneapolis/St Paul metropolitan areas. In addition, the Forward Wisconsin team participated in the National Design and Engineering Show (Chicago), Bio 2002 (Toronto), two national real estate executive association meetings (Dallas and Nashville), one regional real estate executive chapter meeting (Afton, MN), and an international meeting with Japanese CEOs (Wichita, KS).

4. GreatJobsWI.com is an interactive website developed by Forward Wisconsin. Businesses can use the interactive site to post job vacancies, profile the company, and download resumes posted by job seekers. Participating businesses receive direct e-mail notification within 24 hours of candidates matching new job postings. Job seekers have access to job postings, additional career information, and related links. Resumes can be e-mailed directly to employers and job openings are e-mailed to all registered matching job seekers.

5. Forward Wisconsin coordinates its economic development activities with those undertaken by the Department of Commerce. Forward Wisconsin is responsible for out-of-state marketing and business attraction, while Commerce is responsible for existing business retention, expansion, financial programs, and state business expansion to international markets.

6. Forward Wisconsin's revenue for 2002-03 is projected to be \$1,056,000. About 45 percent (\$475,000) is aid from the state through Commerce, while the remaining \$581,000 is from private investment, promotional activities, and interest. Projected expenditures for 2002-03 are \$1,063,000. (The difference in expenditures will be funded from a prior year budget surplus.)

7. According to the administration, a primary method of increasing government efficiency is to focus on the core mission of each agency and to reevaluate activities that are not related to that mission. Although it receives funding through Commerce, Forward Wisconsin is not part of the Department. The two agencies coordinate activities, but Forward Wisconsin is not part of Commerce's state operations. From this perspective, if the Committee wishes to further reduce GPR funding for Commerce it could further reduce the amount of funding provided to Forward Wisconsin.

8. Forward Wisconsin received \$500,000 GPR in state funding in each fiscal year from 1984-85 through 1991-92. The organization received \$400,000 GPR in 1992-93 and \$500,000 GPR again for 1993-94 and 1994-95. The 1995-97 budget bill reduced annual funding to \$250,000 GPR for each year of the biennium. In 1995-96, total revenues were \$761,900, of which \$505,300 (66%) were provided by private investment and \$250,000 (32.8%) was state funding. In 1996-97 total revenues were \$772,300, with \$517,700 (67%) from private investment and \$250,000 (32%) in state funding. Other sources of income include interest and miscellaneous revenues. State funding was returned to \$500,000 GPR in the 1997-99 biennial budget. As an alternative, the Committee could reduce the annual level of state support to Forward Wisconsin by an additional \$120,000 GPR to \$250,000 GPR--the level provided during the 1995-97 biennium. More annual funding could be considered in future biennia when the state's fiscal condition improves.

9. Annual base level funding for Forward Wisconsin was reduced by \$25,000 GPR in 2001 Wisconsin Act 109 (the 2001-03 budget review act) and would be further reduced by \$95,000 GPR annually under the Governor's budget recommendation. The net result would be to reduce annual base level state funding for Forward Wisconsin to \$380,000 GPR.

10. Staff would point to a recent study that indicated a 500% return on investment for state funds provided to Forward Wisconsin. In 2000, Forward Wisconsin sent surveys to 206 businesses that located operations in the state between 1984 and 2000. Sixty-two surveys were returned and Forward Wisconsin contracted with an economic development consultant (Relevant Economic Analysis Limited) to analyze the results. The consultant's study found that, for the year 1999, companies that Forward Wisconsin helped locate in the state: (a) employed 14,500 workers who generate nearly \$1 billion in sales revenue in the state; (b) paid almost \$460 million in wages and salaries; (c) purchased over \$300 million of Wisconsin-based goods and services; (d) paid almost \$40 million in state individual and corporate income and franchise taxes; and (e) donated \$4.6 million to community interest groups.

11. It is difficult to quantitatively measure the success of an economic development program since many factors are usually involved in a decision to relocate or expand a business in Wisconsin. Many of Forward Wisconsin's efforts that the organization has identified as successful were accomplished jointly with local and regional economic development organizations, state businesses, and the Department of Commerce. Moreover, some economic research indicates that economic development incentives and programs have a modest effect on business location and expansion decisions. However, other economic studies have shown that incentives contribute to job growth and economic development.

12. Economic development strategies have evolved over time, with new strategies not necessarily replacing the old, but being added to them. One of the earliest strategies was attracting firms, followed by focusing on creating new businesses, and working with businesses to lower costs and encourage growth. Recently, there has been concern that state economic development strategies are inadequate to meet the circumstances of the new economy of the twenty-first century. In the new economy, a firm's competitive advantage is based on information, ideas, and technology. Many states have revised their economic development strategies to ensure that they encourage development of these three factors. As a result, state economic development policy has focused on: (a) improving the capacity of firms by improving the quality of their inputs, particularly in education, workforce development, and infrastructure; (b) improving the competitiveness of firms by helping them adopt modernizing technology and updated business practices; (c) encouraging collaboration and networking among firms; and (d) targeting economic development efforts to the needs of industrial clusters.

**ALTERNATIVES**

1. Approve the Governor's recommendation to delete \$95,000 GPR annually in funding for Forward Wisconsin.

2. Approve the Governor's recommendation and delete an additional \$120,000 GPR (\$215,000 total) annually in funding for Forward Wisconsin.

<u>Alternative 2</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	- \$240,000

3. Delete provision.

<u>Alternative 3</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$190,000

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