



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #213

### **Economic Development Promotion (Commerce -- Economic Development)**

#### *Base Agency*

[LFB 2007-09 Budget Summary: Page 88, #4]

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#### **CURRENT LAW**

Commerce is provided \$30,000 GPR annually in a separate appropriation to fund economic development promotion, and for plans and studies related to certain Department activities.

#### **GOVERNOR**

Provide \$590,000 GPR in each year of the biennium in a newly-created annual appropriation with 2.0 GPR positions for advertising, marketing and promotional activities in the U. S. to contribute to economic development in, and business recruitment to, Wisconsin. Specify the two staff be appointed in the unclassified service.

#### **DISCUSSION POINTS**

1. Commerce promotes its programs and activities and other aspects of economic development through the Division of Business Development. The Division manages the Department's economic development promotion account (\$30,000 annually) to fund some marketing activities. The Division also provides information and produces publications related to opportunities for business start-ups, expansions, and operations in Wisconsin. A primary source of such information is the Department's Internet website. Information produced by the Division

includes descriptions of economic conditions in Wisconsin and its advantages as a place to operate a business, actions and procedures that are required or helpful for starting and expanding a business in the state, and specific financial and technical assistance programs administered by the Department and other state agencies. Other information activities include issuing press releases and a newsletter, maintaining an inventory of available industrial sites and buildings, developing community profiles, and responding to inquiries.

2. The economic development promotion positions and funding would be used to target specific new companies in growing industries outside of Wisconsin and recruit them to locate in the state. The Department's goal would be to recruit five new companies each year. It estimates that, in total, each year the five new companies would average: (a) 1,000 new jobs created; (b) \$50 million in capital investment; (c) \$45 million in payroll; (d) \$25 million in new construction; and (e) \$25 million in consumption spending. Commerce would identify and attempt to convince businesses (primarily in industries where Wisconsin offers a competitive advantage, such as biotechnology, renewable energy, and modernized agribusiness) to locate in the state. The Department would work with regional development groups, like New North that are currently developing regional branding and marketing efforts. Commerce would focus on attracting businesses that: (a) the state (or region) offers a competitive advantage; (b) are experiencing above-average growth; (c) export products; (d) strengthen existing business and industry clusters; (e) pay above-average wages; (f) have executives with connections to Wisconsin; and (g) are likely to make a long-term investment in Wisconsin.

3. The Department indicates that additional funding and positions would be used for the following activities: (a) conducting targeted research of the economic strengths of Wisconsin; (b) aligning state and regional branding to the state's competitive economic strengths; (c) identifying specific companies and industries that would have their business needs met in the state; (d) coordinating and assembling teams, including local officials, to travel and make presentations to businesses; (e) demonstrating how Wisconsin meets the competitive needs of businesses, including comparisons with other states; and (f) assisting companies in resolving obstacles to relocation or expansion.

4. Forward Wisconsin is a nonprofit organization created in 1984 to attract business to Wisconsin. Forward Wisconsin focuses on marketing Wisconsin to out-of-state companies to attract new businesses, jobs, and increased economic activity to the state. The organization has a staff of four full-time and one contract position, offices in Madison, Eau Claire, and Milwaukee, and an annual budget of about \$1.0 million. The state provides annual funding of \$320,000 GPR to Forward Wisconsin, that is provided through a separate appropriation under Commerce. Forward Wisconsin also receives matching funding through private investments.

State funds may be used by Forward Wisconsin for advertising, marketing and promotional activities within the United States related to the economic development of Wisconsin, and for salary, travel, and other expenses directly incurred by the organization in its economic development activities. State funds may not be used to finance costs of entertainment, foreign travel, payments to persons not providing goods or services to Forward Wisconsin, or other items prohibited by contract

between the organization and the state.

5. Forward Wisconsin works to promote the state's image, project the state's positive business climate, and to attract industry and workers to Wisconsin. Forward Wisconsin uses a range of marketing activities including: (1) direct mail and telemarketing; (2) print advertising campaigns; (3) trade show appearances at industry expositions; (4) out-of-state prospecting trips to meet with CEO's interested in locating in Wisconsin; and (5) providing business cost comparisons, financial information, and other business consulting services. The organization provides a one-stop shop for business information through its website at ForwardWI.com. A key component of ForwardWI.com is a statewide database of available buildings and sites, with data entered by communities throughout the state.

Forward Wisconsin is an associate member of both the Corporate Real Estate Network and Industrial Asset Management Council, which are the leading associations for business location professions from real estate, consulting, and business. These organizations provides access to site selection consultants, real estate brokers, and private developers who often work with large and medium-sized companies in their business location process.

Forward Wisconsin typically conducts two major annual marketing missions to Minneapolis/St. Paul and to Chicago to communicate directly with business executives who may be considering expansion options in Wisconsin. Letters from the Governor and cost-comparative information pieces are mailed to executives in targeted industry clusters. The mailings are followed by a telephone contact program to arrange appointments with interested executives. Wisconsin economic development professionals partner with Forward Wisconsin staff to conduct interviews. The interviews are used to identify leads and prospects for business expansion in the state. Follow-up activities are conducted to remain in contact with interested CEO's. Forward Wisconsin also conducts mini-marketing missions when staff travels to trade shows, conferences, or special events in parts of the U.S. that appear to be good marketing targets for business recruitment.

In addition to its general marketing strategy, Forward Wisconsin promoted the biotechnology, wood products, and food industry clusters in 2006-07. For example, the organization organized and coordinated the largest state marketing initiative undertaken at BIO 2007 in Boston, the world's largest industry convention. Forward Wisconsin also joined with state businesses in exhibiting at the International Woodworking Fair in Atlanta.

6. Forward Wisconsin coordinates its economic development activities with those undertaken by the Department of Commerce. Historically, Forward Wisconsin has been responsible for out-of-state marketing and business attraction, while Commerce is responsible for existing business retention, expansion, financial programs and international development. The economic development promotion activities that would be undertaken by Commerce under the budget initiative could be viewed as similar to Forward Wisconsin functions. If the proposed economic recruitment activity of Commerce is viewed as duplicating those of Forward Wisconsin, the funding and positions provided to Commerce could be deleted. Alternatively, additional funding could be provided to Forward Wisconsin, so that it could perform the functions envisioned for Commerce.

Since Forward Wisconsin generates additional matching funding through private investment, 50% of the level of the recommended Commerce funding level, or annual funding of \$295,000 could essentially provide the same level of support. Another alternative would be to delete the annual funding currently provided to Forward Wisconsin to eliminate the possibility the state would be funding duplicative activities. Forward Wisconsin could rely on private investments to continue its economic development activities.

7. Commerce notes that the proposed business attraction activities for the Department would complement, and not duplicate the activities of Forward Wisconsin. The Department views Forward Wisconsin as providing coordinating services to aid state and local groups for promotion of economic enterprises, and for conducting publicity and promotional activities. Forward Wisconsin has a general marketing and promotion mission, while Commerce would sell the state as a place to locate or expand. Commerce believes that Forward Wisconsin's market activities are not sufficient to compete in a market where one-on-one sales efforts are required. Under the proposal, activities of Forward Wisconsin and Commerce would conform with a marketing/sales model used in the private sector. The model recognizes that the focus, product, and skills required for successful marketing differ from those used in direct sales.

8. The bill provides \$60,100 GPR in 2007-08 and \$80,000 GPR in 2008-09 for the salaries and fringe benefits of the 2.0 GPR positions. Funding for supplies and services would be \$529,900 GPR in 2007-08 and \$510,000 GPR in 2008-09. The supplies and services funding would be used for travel, sales materials, research, outreach and direct marketing. The two positions that would be created would be in the unclassified service. If the Committee wished to approve the Governor's recommendation, they could modify the bills provisions to create the new positions in the classified service. This would ensure that the positions were filled following civil service procedures.

## ALTERNATIVES TO BASE

1. Provide \$590,000 GPR annually with 2.0 GPR positions for advertising, marketing and promotional activities to contribute to economic development in, and business recruitment to, Wisconsin. Specify the two staff be appointed in the unclassified service.

ALT 1	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
GPR	\$0	0.00	\$1,180,000	2.00

2. Approve the Governor's recommendation; however, specify the two staff be appointed in the classified service.

	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
GPR	\$0	0.00	\$1,180,000	2.00

3. Delete the Governor's recommendation. Instead provide an additional \$295,000 GPR in funding for aid to Forward Wisconsin for increased economic development activities.

	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
GPR	-\$590,000	- 2.00	\$590,000	0.00

4. Delete \$320,000 GPR in annual funding for aid to Forward Wisconsin.

	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
GPR	-\$640,000	0.00	\$540,000	2.00

5. Maintain current law.

	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
GPR	-\$1,180,000	- 2.00	\$0	0.00

Prepared by: Ron Shanovich