WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Budget Summary

				Joint Finance Change to:			
	2020-21 Base	2021-23	2021-23	Governor		Base	
Fund	Year Doubled	Governor	Jt. Finance	Amount	Percent	Amount	Percent
GPR	$25,101,400	$345,101,400	$14,901,400	- $330,200,000	- 95.7%	- $10,200,000	- 40.6%
PR	0	780,000	0	- 780,000	- 100.0	0	0.0
SEG	58,000,000	76,000,000	68,200,000	- 7,800,000	- 10.3	10,200,000	17.6
TOTAL	$83,101,400	$421,881,400	$83,101,400	- $338,780,000	- 80.3%	$0	0.0%

FTE Position Summary

As a corporation, there are no state positions for the Wisconsin Economic Development Corporation.

Budget Change Items

1. SMALL BUSINESS PANDEMIC RECOVERY PROGRAM [LFB Paper 655]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	$200,000,000	- $200,000,000	$0

Governor: Create a biennial appropriation and provide $200,000,000 GPR in 2021-22 to assist small businesses in recovery from the COVID-19 pandemic. The Wisconsin Economic Development Corporation (WEDC) would be required to aid in the state's economic recovery by providing financial assistance to small businesses adversely affected by the pandemic, including for the retention of current employees and the rehiring of former employees. WEDC would be required to coordinate with the Department of Revenue (DOR), to the extent necessary, to administrate the program.

Joint Finance: Provision not included.

2. VENTURE CAPITAL PROGRAM [LFB Paper 656]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	$100,000,000	- $100,000,000	$0

Governor: Create a continuing appropriation and provide $100,000,000 GPR in 2021-22 and require WEDC to establish and administer a fund of funds program to invest in venture capital funds that invest in businesses located in Wisconsin, including management fees and the amounts necessary to make investments through the program. Require WEDC to establish policies and procedures to administer the program, and specify that WEDC would have to create the fund of funds, provide that the fund continuously reinvest its assets, and create an oversight board to conduct any activity required by law or as directed by WEDC.

Require the oversight board to establish investment policies, which would be subject to the following conditions: (a) all moneys paid to the investment manager to make investments would have to be committed for investment to venture capital funds no later than 60 months after the creation of the fund of funds; (b) no more than $25 million of the total paid to the investment manager to make investments could be invested in any single venture capital fund; and (c) at least 20% of the investments made through the program would have to be directed to businesses: (1) that are located in parts of this state that typically do not receive significant investment from venture capital funds; (2) that are at least 51% owned by one or more members of a racial minority group and the management and daily business operations of which are controlled by one or more members of a racial minority group; or (3) that are at least 51% owned by one or more women and the management and daily business operations of which are controlled by one or more women. Specify that no investment could be made through the program in a lobbying or law firm.

Further, require the oversight board to contract with an investment manager who meets the qualifications established by WEDC. Require the contract to establish the investment manager's compensation, including any management fee. A management fee could not annually exceed 1% of the total assets under management in the program. The investment manager would have to request funding from WEDC in order to make investments through the fund of funds and to pay the investment manager's management fee. WEDC would have to, subject to approval of the Secretary of the Department of Administration, pay monies to the investment manager from the continuing venture capital fund of funds program appropriation.

Require the investment manager to contract with each venture capital fund that would receive funding through the program. Specify that each contract would have to require the venture capital fund to: (a) make new investments in an amount equal to the amount of moneys it receives through the program in one or more businesses who are headquartered in Wisconsin and whose operations are primarily in this state; (b) match, at least, any funding it receives through the program and that it invests in a business described above in "(a)" with funding the venture capital fund has raised from sources other than the program; and (c) provide the investment manager with the information necessary to complete the reports described below. Further, the bill would require the investment manager to ensure that, on average, for every $1 a venture capital fund receives through the program and invests in such businesses, the venture capital fund invests $2 in that business from sources other than the program.

Specify that the investment manager would have to annually submit to WEDC a report for the fiscal year, no later than 120 days after the end of the fiscal year, including the following.

a. An audit of the investment manager's financial statements performed by an independent certified public accountant.

b. The investment manager's internal rate of return from investments made through the program.

c. For each venture capital fund that contracts with the investment manager, the name and address of the venture capital fund, the amount invested in the venture capital fund through the program, an accounting of any fee the venture capital fund paid to itself or any principal or manager of the venture capital fund, and the venture capital fund's average internal rate of return on its investments of the moneys it received through the program.

d. For each business in which a venture capital fund held an investment of moneys received through the program, include: (1) the name and address of the business; (2) a description of the nature of the business; (3) the identification of the venture capital fund; (4) the amount of the investment and the amount invested by the venture capital fund from funding sources other than the program; (5) the internal rate of return realized by the venture capital fund upon the venture capital fund's exit from the investment in the business; and (6) a statement of the number of employees the business employed when the venture capital fund first invested moneys received through the program and the number of employees the business employed on the first day and last day of the investment manager's fiscal year.

WEDC would have to submit the investment manager's report, no later than 10 days after receipt of it, to the Chief Clerk of each house of the Legislature, for distribution to the Legislature.

Require the investment manager to quarterly submit to the oversight board a report for the preceding quarter, including: (a) an identification of each venture capital fund under contract with the investment manager; (b) an identification of each business in which a venture capital fund held an investment of moneys received through the program and a statement of the amount of the investment in each business; and (c) a statement of the number of employees the business employed when the venture capital fund first invested moneys received through the program and the number of employees the business employed on the last day of the quarter. Specify that the oversight board would have to make the reports readily accessible to the public on WEDC's website.

Joint Finance: Provision not included.

3. REESTIMATE WEDC GPR AND SEG APPROPRIATION LEVELS [LFB Papers 102 and 657]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	- $13,000,000	$2,800,000	- $10,200,000
SEG	13,000,000	- 2,800,000	10,200,000
Total	$0	$0	$0

Governor: Reduce funding by $6,500,000 GPR annually for WEDC's operations and programs sum sufficient GPR appropriation. Increase estimated funding by $6,500,000 SEG annually for WEDC's SEG appropriation from the economic development fund for operations and programs. Maintain base funding for WEDC's brownfield site assessment grants SEG appropriation from the environmental fund. As a result, the administration estimates current law funding provided for WEDC's existing state appropriations at $41,550,700 all funds in 2021-22 and 2022-23, comprised of: (a) $34,500,000 SEG annually from its all monies received operations and programs SEG appropriation; (b) $6,050,700 GPR annually from its sum sufficient operations and programs GPR appropriation; and (c) $1,000,000 SEG annually for brownfield site assessment grants.

Under current law, the primary source of WEDC's funding is from the segregated economic development fund. The revenue source for the economic development fund is the economic development surcharge imposed upon C corporations and S corporations. In addition, WEDC receives a GPR appropriation that is capped at $16,512,500, annually. Funding is also provided from the environmental fund for brownfield site assessment grants.

Joint Finance: Modify the proposed funding amounts to reflect reestimates of surcharge revenues deposited into the economic development fund during the 2021-23 biennium. Relative to the Governor's recommendation, reduce funding by $2,200,000 SEG in 2021-22 and $600,000 SEG in 2022-23 in WEDC's SEG appropriation for operations and programs. Increase estimated GPR funding for WEDC's operations and programs GPR appropriation by corresponding amounts. As a result, estimated funding provided for WEDC's existing state appropriations would be $41,550,700 all funds in 2021-22 and 2022-23, as shown in the table below.

	2021-22	2022-23	Biennium
Operations and programs - SEG	$32,300,000	$33,900,000	$66,200,000
Operations and programs - GPR	8,250,700	6,650,700	14,901,400
Brownfield Site Assessment - SEG	1,000,000	1,000,000	2,000,000
All Funds Total	$41,550,700	$41,550,700	$83,101,400

4. UNDERSERVED COMMUNITY GRANTS -- GPR [LFB Paper 655]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	$5,000,000	- $5,000,000	$0

Governor: Increase WEDC's GPR sum sufficient programs and operations appropriation by $5,000,000 in 2021-22 to provide grants, loans, and other assistance to underserved communities, including members of minority groups, women-owned businesses, and individuals and businesses in rural areas.

Joint Finance: Provision not included.

5. UNDERSERVED COMMUNITY GRANTS -- SEG

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
SEG	$5,000,000	- $5,000,000	$0

Governor: Create a SEG appropriation and provide $5,000,000 in 2022-23 to provide grants, loans, and other assistance to underserved communities, including members of minority groups, women-owned businesses, and individuals and businesses in rural areas.

The source of the segregated revenue would be the community reinvestment fund, into which 60% of marijuana tax revenues are deposited.

Joint Finance: Provision not included.

6. TRIBAL GAMING -- ECONOMIC DEVELOPMENT [LFB Paper 655]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
PR	$780,000	- $780,000	$0

Governor: Create a sum certain program revenue appropriation and provide $390,000 PR annually from tribal gaming revenues for WEDC to establish, administer, and promote small business economic development programs benefiting American Indian tribes or bands in this state. Any unencumbered balance in this appropriation would, on June 30 of each year, revert to the Indian gaming receipts appropriation that would be created under the Department of Administration.

Joint Finance: Provision not included.

7. ECONOMIC DEVELOPMENT FUND INTEREST AND UNEXPENDED BALANCES

Governor: Modify WEDC's operations and programs SEG appropriation, which receives its funding from the economic development fund. Pursuant to 2019 Act 9, GPR may be expended from WEDC's sum sufficient operations and programs appropriation only if there are no unencumbered moneys available in the economic development fund. Thus, the first draws for programs and operations should come from the economic development fund until the available balance of the SEG appropriation is depleted. However, the administration indicates that it is unclear under current law whether this includes interest earnings deposited in the fund and unspent funds that had been appropriated by DOR for the costs of administrating the economic development fund. To clarify that such funds are included and available within WEDC's operations and programs SEG appropriation, the bill would change WEDC's all monies received SEG appropriation into a continuing appropriation consisting of all moneys not expended by DOR. This appropriation had been converted to an all monies received appropriation from a continuing appropriation under 2017 Act 59.

Joint Finance: Provision not included.

8. INCREASE OPERATIONS AND PROGRAMS FUNDING [LFB Paper 655]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	$20,000,000	- $20,000,000	$0

Governor: Increase expenditure authority under WEDC's GPR sum sufficient operations and programs appropriation by $10,000,000 annually. Increase the statutory limit on WEDC's GPR sum sufficient appropriation from $16,512,500 annually to $25,012,500 in 2021-22 and $21,012,500 in 2022-23 to authorize the higher expenditure authority. In addition, increase the calculation for determining WEDC's GPR appropriation from $41,550,700 annually to $56,550,700 in 2021-22 and $51,550,700 in 2022-23 minus the amounts expended from the economic development fund and the environmental fund. Beginning in 2023-34, return the funding level to $41,550,700.

Joint Finance: Provision not included.

9. REGIONAL ECONOMIC DEVELOPMENT ORGANIZATION FUNDING [LFB Paper 655]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	$8,000,000	- $8,000,000	$0

Governor: Provide $8,000,000 to WEDC's GPR operations and programs sum sufficient appropriation and require WEDC to expend up to that amount in 2021-22 to fund organizations focused on local or regional economic development for the purpose of assisting businesses and nonprofit organizations in their recovery from the COVID-19 global pandemic.

Further, specify that the limits on expenditures from WEDC's GPR operations and programs sum sufficient appropriation do not apply to this funding. Under current law, the funding for operations and programs is provided in an amount of GPR equal to $41,550,700 (increased to $56,550,700 and $51,550,700 under the bill for 2021-22 and 2022-23, respectively) minus the amounts expended from the economic development fund and the environmental fund, such that no GPR is expended unless the SEG funding is first depleted. However, GPR programs and operations spending in any year is capped at $16,512,500. The bill would allow WEDC to expend up to $8,000,000 GPR for regional economic development without these limitations.

Joint Finance: Provision not included.

10. COOPERATIVE FEASIBILITY GRANTS [LFB Paper 655]

Governor/Joint Finance: Require WEDC to award up to $200,000 during each year of the 2021-23 biennium to award grants for cooperative feasibility studies from its state appropriations for operations and programs. Require WEDC to consult with the Cooperative Network when making awards. The Cooperative Network is a trade association for cooperatives in Minnesota and Wisconsin that provides educational resources, regulatory advocacy, and public awareness campaigns to assist cooperative businesses.

11. MAIN STREET PROGRAM TECHNICAL MODIFICATIONS

Governor: Modify the Wisconsin Main Street program statutes to better reflect WEDC's current practices, as described below. The Wisconsin Main Street program was established in 1987 to assist municipalities in revitalizing traditional business districts. 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.

Current law for the Wisconsin Main Street program, including dates in the statutes, has become outdated because it was established more than 30 years ago, and that the following statutory changes are needed to align the program with current practices and needs. First, delete the definition of "business area" and replace that term with "downtown areas and historic commercial districts." Under current law, a business area is a commercial area existing at the time services under the Wisconsin Main Street program are requested and having historic significance.

Second, repeal requirements for WEDC to:

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

b. Develop a plan describing the objectives and methods of the program by which WEDC must: (1) coordinate the activities of the program with private and public sector revitalization of business areas; (2) solicit and use private sector funding for revitalization of business areas; and (3) help municipalities engage in revitalization of business areas.

c. Coordinate with other state and local public and private entities which provide services to municipalities undertaking projects for the revitalization of business areas.

d. Develop the following statutorily-required objective criteria for use in selecting the participants in the program, including at least the following issues: (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 a business area selected by the municipality; (3) local organizational and financial commitment to employ a program manager for not less than three years, or not less than five years for participants selected after July 29, 1995; (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 Wisconsin Main Street program.

Instead, create provisions specifying that the purposes of the program are: (a) assisting communities in restoring and retaining the historic character of their downtown areas and historic commercial districts; (b) promoting business investment, assisting in retaining existing small businesses, and promoting new businesses in downtown areas and historic commercial districts; (c) assisting in strengthening the local tax base; (d) assisting in the creation of employment opportunities in downtown areas and historic commercial districts; and (e) enhancing the economic viability of downtown areas and historic commercial districts. WEDC would have discretionary authority to select up to five participants in the Main Street program.

Finally, remove the requirement for WEDC to expend $250,000 annually for the Wisconsin Main Street program. WEDC indicates that this amount is too restrictive and unnecessary, as current costs exceed the requirement. For example, WEDC budgeted $300,000 for the program in 2020-21.

Joint Finance: Provision not included.

12. MODIFICATIONS TO BROWNFIELDS REDEVELOPMENT AND SITE ASSESSMENT GRANT PROGRAMS

Governor: Specify that WEDC may not make a brownfields redevelopment grant to the party that caused the environmental contamination that is the basis for the grant request. Further, specify that, in cases where the party that caused all or a portion of 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, that WEDC may award a brownfields redevelopment grant if WEDC determines under its policies and procedures that the case has received significant closure from the Department of Natural Resources (DNR).

Similarly WEDC could only award a site assessment 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 and, under the bill, WEDC determines under its policies and procedures that the case has received sufficient closure from the DNR. Specify that, when making a brownfields site assessment grant, WEDC would have to consult with DNR, rather than consider DNR's recommendations, prior to awarding a grant (as required under current law).

Joint Finance: Provision not included.

13. DATA SHARING WITH DOR

Governor: Permit the Chief Executive Officer and employees of WEDC to examine tax information, including returns, certain claims, schedules, exhibits, writings, and audit reports, pursuant to an agreement with DOR and to the extent necessary to administer economic development programs. [A technical amendment would be needed to clarify the Governor's intent.]

Joint Finance: Provision not included.

14. REPEAL OBSOLETE REPORTING REQUIREMENT FOR THE ECONOMIC DEVELOPMENT TAX CREDIT PROGRAM

Governor: Repeal the requirement for WEDC to annually report to the Legislature a comprehensive assessment of the economic development tax credit program. The program was sunset after 2015, and the last tax credit award year in which a business could be eligible to earn credits under the program was for tax year 2019.

Joint Finance: Provision not included.

15. MODIFY ANNUAL REPORTING REQUIREMENT TO THE LEGISLATURE

Governor: Require WEDC to annually submit its report to the Legislature by October 1, rather than January 1, identifying the economic development projects that the Board intends to develop and implement during the current fiscal year, instead of the current calendar year. According to the administration, doing so would be more efficient because WEDC already publishes its annual report on economic development on that date and develops its economic development plans on a fiscal year basis in line with its operating budget.

Joint Finance: Provision not included.

16. TALENT ATTRACTION AND RETENTION INITIATIVES [LFB Paper 658]

Joint Finance: Require WEDC to expend at least $3,000,000 from its existing state appropriations for operations and programs during the 2021-23 biennium for talent attraction and retention initiatives under s. 238.155.

17. REPORTING OF UNALLOCATED BUSINESS DEVELOPMENT TAX CREDITS [LFB Paper 332]

Joint Finance: Require WEDC to submit a report to the Joint Committee on Finance no later than January 31 each year identifying the amount of unallocated business development tax credit carried forward as of December 31 of the previous year.

Current law permits WEDC to allocate up to $22 million in business development tax credits annually. WEDC may also request from the Joint Committee on Finance an increase of up to $10 million annually for the amount of business development credits that may be allocated. Any unused allocation can be carried forward to future years. Because the maximum amount of business development tax credits WEDC may allocate each year may change, the maximum amount that may be claimed by recipients at DOR will also vary from year to year. The reporting provision would clarify the amount of credits available to be allocated and inform the Legislature of the funding likely to be required in the current and future fiscal year.

18. TAX CREDIT MODIFICATIONS

Governor/Joint Finance: Make a number of modifications to tax credit programs that are administered, in part, by WEDC, which are described in "General Fund Taxes -- Refundable Tax Credits and Other Payments."