



State Economic Development Programs
Administered by the Department of Commerce

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State Economic Development Programs Administered by the Department of Commerce

Introduction

The Department of Commerce (Commerce) is generally charged with the responsibility of fostering economic development in Wisconsin. This paper provides information on the major economic development programs and activities of the Department.

The paper is organized into three chapters. The first chapter describes financial assistance programs administered by Commerce. Each of these programs involves the Department's administration of grants, loans or other financial aids to individuals, businesses, organizations or local governments in Wisconsin.

The second chapter describes programs under

which Commerce provides technical assistance to individuals, businesses, organizations or local governments. The types of technical assistance provided by Commerce range from assistance in the development of business or marketing plans to researching markets for Wisconsin firms attempting to compete internationally.

The third chapter of this paper briefly summarizes Commerce's economic development promotional activities. These activities include the Division Business Development's efforts to advertise and promote Wisconsin and publicize the Department's activities. Also included is a description of the activities of Forward Wisconsin, a non-profit organization created to attract out-of-state businesses to Wisconsin that is partially state-funded.

FINANCIAL ASSISTANCE PROGRAMS

Wisconsin Development Fund

Under current statutory provisions, the Wisconsin Development Fund (WDF) can provide financial assistance through the following programs: (1) technology development and commercialization grants and loans; (2) customized labor training grants and loans; (3) major economic development grants and loans; (4) urban early planning grants; (5) entrepreneurial training grants; (6) Wisconsin trade project; (7) employee ownership assistance grants; (8) revolving loan fund capitalization grants; and (9) the rapid response fund. Commerce also makes business employees skills training (BEST) grants through the WDF.

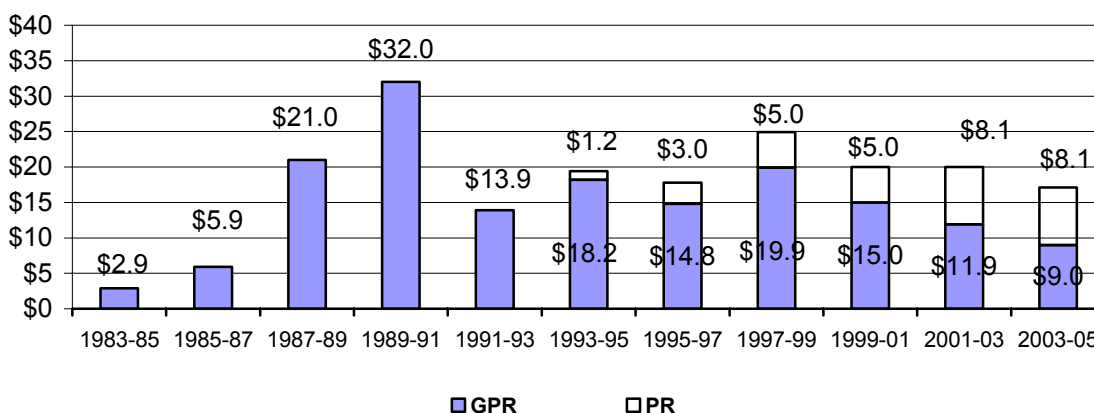
The WDF is funded through a general purpose revenue (GPR) and a program revenue (PR) repayments appropriation. The GPR appropriation is biennial and the primary source of funding for the WDF. Under a biennial appropriation, any unencumbered, unexpended funds remaining at the end of the biennium lapse to the general fund. Further,

any funds encumbered during the biennium and then unencumbered in a subsequent biennium (because they are not needed for the purpose for which they were originally encumbered) lapse to the general fund.

The program revenue repayments appropriation was established to operate similar to a revolving loan fund. Amounts received from WDF loan repayments are credited to the repayments appropriation and these monies can be used to fund WDF grants and loans. The program revenue repayments appropriation is a continuing appropriation and, consequently, unappropriated and unexpended amounts remain in the appropriation balance and can be used to fund future grants and loans. Funding was first appropriated during the 1993-95 biennium. Since the repayments appropriation is continuing, which allows the expenditure of all monies received, the actual amounts awarded may differ from the amounts appropriated.

Table 1 shows historical appropriation amounts for the WDF. The table includes amounts appropriated for the program revenue repayments ap-

Table 1: Wisconsin Development Fund Biennial Appropriation Amounts (In Millions)



propriation.

WDF Awards. A nine-member Development Finance Board, which is attached to Commerce, approves most WDF grants and loans. The Board consists of the Secretaries of Commerce and Workforce Development (DWD) (or designees), the Director of the Wisconsin Technical College System (WTCS) (or designee), and six members appointed by the Governor for two-year terms representing the scientific, technical, labor, small business, minority business, and financial communities in the state. The Board is statutorily responsible for approving most WDF awards. Commerce has authority to make urban early planning grants, entrepreneurial training grants, Wisconsin trade program reimbursements, loan fund capitalization grants, and rapid response fund loans. However, historically, final approval of all awards has rested with the Board.

In making awards, the Board and Department review each proposed project to determine that statutory criteria have been met. There are seven statutory criteria that are generally applied to projects under any of the WDF programs:

- The project serves a public purpose;
- The project will retain or increase employment in the state;
- The project is unlikely to occur without the grant or loan;
- Financing is unavailable elsewhere on reasonably equivalent terms;
- Recipients will provide nonstate funds equal to at least 25% of the cost of the project;
- Generally, the award will not be used to pay overhead costs or to replace other funds;
- The project will not displace any workers in the state; and

- The recipient has not received a manufacturing extension center grant.

These statutory provisions are further reflected in the criteria that are used in underwriting financial assistance provided through all programs administered by the Bureau of Business Finance in the Department. The underwriting criteria include:

- Project viability and risk;
- Number of full-time jobs created or retained;
- Number of part-time jobs created or retained;
- The amount of employee wages and benefits;
- Total company investment in the state;
- The type of business and ownership;
- The number of targeted employees hired;
- Location of the project;
- Economic impact on the community; and
- Effect on competing local businesses.

The relative importance attached to each of these criteria in making awards varies depending on the type and location of the project that is being reviewed.

There are additional criteria that must be considered and requirements that must be met in order for funds to be awarded under a specific WDF program. These additional criteria are listed below under each of the individual program descriptions.

Table 2 compares the dollar amounts awarded and encumbered under each of the WDF program

groups by biennium, starting in 1987-89. The information in the table is from Department of Commerce, WDF program history reports. For the 2003-05 biennium, award amounts are only shown for fiscal year 2003-04. Fiscal year 2004-05 awards have not been completed, as of this writing. Encumbered amounts are shown. However, in a limited number of cases, awards are declined or withdrawn or it is determined that an amount less than the total awarded amount is sufficient to fund a project. The encumbered amounts include grants and loans from both the GPR and program revenue repayments appropriations.

Appendix I contains a list of the WDF awards approved by the Board for fiscal year 2003-04.

The Board and Department consider appropriate reimbursement provisions for repayment of grants and loans on a case-by-case basis. Repayment agreements usually involve full repayment of the award, plus interest, or receipt of a share of future profits from, or an interest in, a product or process. Board policy does not require repayment of customized labor training awards. As noted, repayments are credited to a program revenue appropriation that may be used to make additional awards.

Table 3 shows actual annual revenue and expenditures for the WDF program revenue repayments appropriation from 1997-98 through 2003-04. The table shows that there was a substantial unencumbered balance in the repayments appropriation through 2003-04. This is primarily due to a relatively low level of annual expenditures and encumbrances through 1999-00. In general, annual revenues were greater than annual expenditures and encumbrances through that fiscal year. Expenditure authority for the program revenue appropriation has increased in order to shift funding for WDF awards from GPR to PR, to take advantage of the build-up in the balance of the repayments appropriation. Consequently, in more recent years, annual expenditures and specifically, encumbrances have been substantially higher than annual

revenues. In addition, the current expenditure authority of \$4.1 million for the repayments appropriation is significantly higher than annual revenues in all but two years. If this pattern continues, at some point in the future, total annual funding available (GPR and program revenue) will be less than the total amount appropriated for the WDF.

The 2003-05 biennial budget (2003 Wisconsin Act 33) reduced the WDF GPR appropriation by \$1,455,400 annually. The Act also eliminated tribal gaming revenue as a source of funding for manufacturing grants, and, instead provided \$100,000 GPR annually for such grants in a new separate GPR appropriation. Annual funding for manufacturing extension grants was increased by \$750,000 GPR to a total of \$850,000 GPR by 2003 Wisconsin Act 256. In addition, the Act authorizes Commerce to award \$1,500,000 GPR in grants beginning in 2004-05. This grant program is described in a subsequent section.

Targeting of WDF Funds. To address legislative concerns about the allocation of WDF funding, the Development Finance Board adopts a distribution plan for awarding WDF funds for each biennium. The plan presents recommendations for the amount of total funds that will be allocated to general categories of WDF programs: (1) entrepreneurial development -- employee ownership program, urban early planning grants, and entrepreneurial training grants; (2) capital finance -- major economic development grants and loans, Wisconsin trade project program, rapid response fund, and revolving loan fund capitalization grants; (3) training -- customized labor training grants, business employee skills training program; and (4) technology -- technology development grants and loans, technology development commercialization loans.

As established by the Board, the 2003-05 funding plan sets goals for each program group as follows: (1) 5% for entrepreneurial development (\$825,000); (2) 30% for capital finance (\$4.95 million); (3) 35% for training (\$5.775 million); and (4) 30% for technology development (\$4.95 million).

Table 2: Wisconsin Development Fund Financial Assistance by Programs -- Amounts Awarded and Encumbered

	1987-89	1989-91	1991-93	1993-95 ^a	1995-97 ^b	1997-99 ^c	1999-01 ^d	2001-03 ^e	2003-04 ^f
Major Economic Development ^g	\$4,738,100	\$5,920,000	\$6,325,100	\$16,335,900	\$7,284,000	\$10,359,800	\$4,455,600	\$6,288,900	\$4,570,000
Customized Labor Training ^d	12,932,800	17,073,300	3,467,300	6,657,200	9,030,000	6,454,300	8,786,100	7,790,600	2,921,000
Technology Development	2,934,300	1,585,800 ^e	1,894,800 ^f	1,746,100	525,800	3,053,600	7,088,000	3,935,200	1,650,000
Research Grants and Loans ^g	---	110,000	46,600	153,700	17,200	---	---	---	---
Employee Ownership	---	35,000	---	91,300	56,000	22,500	---	---	---
Export Development ^h / Wisconsin Trade Project ⁱ	118,000	179,400	---	---	63,000	108,100	86,200	155,000	55,000
Manufacturing Extension Grants ^j	---	---	---	---	---	---	2,000,000	1,000,000	---
Urban Early Planning and Entrepreneurial Training Grants ^k	---	---	---	---	---	---	195,800	623,700	560,000
Other	<u>300,000^l</u>	<u>2,350,000^m</u>	<u>1,401,000ⁿ</u>	<u>4,974,200^o</u>	<u>100,000^p</u>	<u>2,750,000^q</u>	<u>1,700,000^r</u>	<u>560,000^s</u>	<u>200,000^t</u>
Total	\$21,023,200	\$27,253,500	\$13,257,800	\$29,958,400	\$17,076,000	\$22,748,300	\$24,311,700	\$20,353,400	\$9,956,000

^a Amounts shown for the biennium include program revenue payments and recaptured GPR funding for the 1993-95 through the 2001-03 biennium.

^b Award amounts for fiscal year 2003-04 only; fiscal year 2004-05 awards are not included.

^c Program created in 1987.

^d Includes manufacturing assessment grants in 1991-93 and Business Employee Skills Training (BEST) grants beginning in 1999-01.

^e Includes applied research in technology grants. The program was repealed by 1993 Wisconsin Act 16 (the 1993-95 biennial budget).

^f Includes applied research in technology and technology based incubator grants.

^g Program created in 1989. Repealed in 1997.

^h Program created in 1985.

ⁱ The export development loan program was replaced by the Wisconsin trade project program beginning in fiscal year 1995-96.

^j Program created in 1999. Separate funding source created in 2003-05 biennial budget.

^k Urban Early Planning Grant program (UEPG) created in 1999; Entrepreneurial Training Grant program created in 2000.

^l Agriculture assistance program.

^m Specific legislative awards.

ⁿ Specific legislative awards and a hazardous pollution assessment grant.

^o Manufacturing extension center grants awarded from unencumbering previously encumbered funds.

^p Specific legislative awards, manufacturing assistance grants, revolving loan fund capitalization grants, and rapid response fund.

^q Specific legislative awards, including grants to Wisconsin Procurement Institute.

^r Specific legislative awards including grants to United Community Center, Gateway Technical College, and Urban Hope.

^s Specific legislative award to Wisconsin Minority Business Opportunity Committee.

Source: Department of Commerce, WDF program history report.

Table 3: WDF Loan Repayment Appropriation -- Annual Revenues, Expenditures, and Expenditure Authority

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Prior Year Unexpended Revenue	\$4,304,300	\$6,383,200	\$8,987,000	\$11,725,700	\$11,949,000	\$14,576,800	\$17,130,000
Current Year Revenue	<u>3,003,700</u>	<u>2,974,500</u>	<u>2,238,700</u>	<u>2,596,900</u>	<u>4,560,000</u>	<u>5,265,200</u>	<u>2,980,900</u>
Total Revenue	\$7,308,000	\$9,357,700	\$11,225,700	\$14,322,600	\$16,509,000	\$19,842,000	\$20,110,900
Expenditures	\$924,800	\$370,700	-\$500,000	\$2,373,600	\$1,932,200	\$1,808,600	\$3,317,300
Lapse to General Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>903,400</u>	<u>0</u>
Year End Unexpended Revenue	\$6,383,200	\$8,987,000	\$11,725,700	\$11,949,000	\$14,576,800	\$17,130,000	\$16,793,600
Encumbrances	<u>1,935,500</u>	<u>1,754,700</u>	<u>1,504,700</u>	<u>8,934,000</u>	<u>7,698,200</u>	<u>10,944,000</u>	<u>9,951,300</u>
Year End Unencumbered Balance	\$4,447,700	\$7,232,300	\$10,221,000	\$3,015,000	\$6,878,600	\$6,186,000	\$6,842,300
Expenditure Authority	\$2,500,00000*	\$2,500,000*	\$2,500,000	\$2,500,000	\$4,050,000	\$4,050,000	\$4,050,000

*Includes \$1,000,000 expenditure authority for manufacturing extension center grant.

The funding plan also includes goals for targeting awards to certain types of projects in certain locations. The plan's stated goals for 2003-05 are:

- Focus on manufacturers that provide high wages and benefits;
- Enhance entrepreneurial development opportunities and remain cognizant of the needs of small businesses;
- Focus business development in targeted (distressed) areas of the state;
- Expanded funding for technology-based projects; and
- Increased cooperation between state agencies to develop new and innovative training concepts.

Under current law, the Board is required to provide more favorable terms on awards for projects located in distressed areas than for those that are located in non-distressed areas. Distressed areas include counties which meet two of the following criteria:

- High unemployment rate;

- Low median household income;
- High percentage of residents eligible for the Wisconsin Works (W-2) program;
- Declining population;
- Declining property values;
- Significant number of laid-off workers, workers facing lay-off, or plant closings;
- Designation as a state development zone or enterprise development zone.

Commerce, in cooperation with the Development Finance Board, is required to encourage small businesses to apply for WDF grants and loans by ensuring that there are no undue impediments to their participation, and by assisting small businesses in preparing applications. A small business is a business with 100 or fewer employees or sales less than \$10 million. In the 2001-03 biennium 720 awards totaling over \$6.4 million were made to small businesses. (These figures reflect the impact of three programs: Business Employee's Skills Training (BEST); Urban Early Planning Grants; and Entrepreneurial Training Grants.)

Historically, provisions have been enacted which designated a certain portion of WDF funding for a specific purpose. Generally, the designated funding is for a particular activity or project that would not qualify for funding under the existing WDF programs. Initially, most funding was designated for grants for labor training and employment services programs for employees who were laid off from or affected by the closing of specific businesses. In these cases, a grant to fund the training could be made if the following conditions were met: (1) the labor training and employment services are not eligible for funding under any federal or job training program; (2) the local private industry council submits a plan to Commerce detailing the proposed use of the grant and the Secretary of Commerce approves the plan; (3) the private industry council in the area enters into a written agreement with Commerce that specifies the conditions for use of the grant proceeds, including training, reporting and auditing requirements; and (4) the private industry council agrees in writing to submit to Commerce, within six months after the grant proceeds are spent, a report detailing how the grant proceeds were used.

WDF funding has been designated for a variety of economic development projects, including the following specific purposes over the past two biennia:

2001-03 Biennium

1. A grant of \$160,000 in 2001-02 from the WDF program revenue repayments appropriation to the United Community Center in the City of Milwaukee if all of the following applied: (a) the United Community Center submitted a plan to Commerce detailing the proposed use of the grant and the Secretary of Commerce approved the plan; (b) the United Community Center entered into a written agreement with Commerce that specified the use of the proceeds of the grant, including auditing and reporting requirements; (c) the United Community Center agreed in writing to

submit to Commerce, within six months after spending the full amount of the grant, a report detailing how the proceeds were used. (Another grant of \$160,000 to the United Community Center was provided from the Minority Business Finance program repayments appropriation.) A WDF grant of \$160,000 was awarded in February, 2002.

2. An annual grant of \$100,000 from the WDF GPR appropriation for the continued development of a manufacturing and advanced technology training center in Racine. A grant of \$200,000 was awarded in May, 2002. (Annual awards will be made during the 2003-05 biennium.)

3. WDF annual funding of \$100,000 to a nonprofit organization that provides assistance to individuals and organizations in urban areas. (The funding was for Reggie White's Wisconsin Urban Hope Initiative that provides entrepreneurial opportunities for individuals in Wisconsin's central cities.) The funds must be used in accordance with a memorandum of understanding with DOA that specifies how the monies should be allocated and Commerce must ensure that the nonprofit organization provides assistance to organizations and individuals in the City of Beloit. A grant of \$200,000 was awarded in June, 2002. (Annual awards will be made during the 2003-05 biennium.)

4. A requirement that Commerce make manufacturing extension grants of \$500,000 in 2001-02 and 2002-03 from the WDF program revenue repayments appropriation to a technology-based nonprofit organization to provide support for a manufacturing extension center (Wisconsin Manufacturing Extension Partnership - WMEP). A grant of \$500,000 was awarded in both 2002 and 2003.

2003-05 Biennium

1. A grant of \$100,000 in each year of the biennium to the Wisconsin Minority Business Opportunity Committee (MBOC) if: (a) MBOC submits a

plan to Commerce detailing the proposed use of the grants and the Secretary approves the plan; (b) MBOC submits a statement to Commerce indicating that the grants will match federal funding that has been or will be provided to MBOC for the purpose indicated on the plan submitted to the Department; (c) MBOC enters into a written agreement with the Department that specifies the conditions for use of the grant proceeds, including reporting and auditing requirements; and (d) MBOC agrees in writing to submit to Commerce within six months after spending the fall amount, a report detailing how the grant proceeds were used.

2. Commerce was authorized to make WDF grants during 2003-04 to individuals, communities, consortia, or businesses if any of the following applied: (a) the applicant resides, is located or, if a municipality, has territory in a county where a plant closing has eliminated jobs; or (b) the applicant resides, is located or, if a municipality, has territory in a county that had an average unemployment rate of at least 7.5% during any period. Commerce could make a grant under these provisions only if all of the following apply: (a) the applicant submits a plan to Commerce detailing the proposed use of the grant and the Secretary approves the plan; (b) the applicant entered into a written agreement with the Department that specifies the conditions for the use of the grant proceeds, including reporting and auditing requirements; and (c) the applicant agrees in writing to submit to the Department within six months after spending the full amount of the grant, a report detailing how grant proceeds were used.

WDF Programs. Specific statutory provisions and administrative rules govern each of the WDF programs. However, there are certain provisions and definitions that are generally applied to the WDF. The definitions include the following:

A "business" is a company located in the state, a company that has made a firm commitment to locate a facility in the state, or a group of companies of which at least 80% are located in the state.

A "consortium" is an association of a business and a higher educational institution.

A "higher educational institution" is an institution in the University of Wisconsin system, or an institution located in Wisconsin that offers a post-baccalaureate or professional degree program.

An "eligible recipient" is a governing body or a person who is eligible to receive a WDF award.

A "governing body" is a county board, city council, village board, town board, regional planning commission, or transit commission.

A "job" is a position providing full-time equivalent employment. It does not include initial training before an employment position begins.

Successful applicants for WDF awards are required to enter into a contract with Commerce to implement the grant or loan. The Secretary of Commerce and the chief executive officer or authorized representative of the entity that receives the award sign each contract. The Department is authorized to void a contract and seek a return of funds released under the contract for failure of the business to perform its obligations, under the contract. Amendments to contracts may be adopted by consent of both parties.

Under current law provisions, award recipients are required to provide a nonstate match of at least 25% of the eligible project costs. However, in practice, recipients typically must provide matching amounts that exceed the statutorily minimum requirement. In many cases, the match exceeds the amount of the award.

Commerce is authorized to charge an origination fee of up to 2% on major economic development (MED) and customized labor training (CLT) grants and loans in excess of \$200,000. Fee collections are placed in a program revenue appropriation used to provide funding for administration of the WDF. In addition, the Department is authorized to use up to 1% of amounts appropriated for

GPR WDF awards for evaluation costs, collection costs, foreclosure costs and other costs associated with administering the WDF loan portfolio.

Grant and loan recipients are required to provide the Department with periodic financial and program reports. A financial audit and final program report must be submitted to the Department at the end of each contract. The cost of the audit may be funded with the grant or loan proceeds.

In the sections that follow, significant features of each of the programs funded under the WDF are described.

Customized Labor Training Grants

Purpose. To fund labor training programs which provide employees with job training in new or more advanced technology, industrial and other employment-related skills, or job training in manufacturing processes to assist employers in maintaining a technologically advanced workforce.

Eligible Applicants. A business that has made a firm commitment to locate in Wisconsin, a business that is expanding within Wisconsin, or a business that is upgrading a product, process or service that requires training its employees in new technology and industrial skills, or manufacturing processes, or other job-related skills in which advances have been made.

Special Requirements. Training must not be fairly readily available through existing federal, state or local resources, must occur in an instructional setting, and must be new or relatively new to the industry or business. Recipients must guarantee jobs in Wisconsin to all persons successfully completing the training program. Recipients must match at least 25% of project costs (except for recipients of funds for projects located in targeted areas). The match may be cash or in-kind. Up to 20% of the contribution may be funding received by a business under the federal Workforce Investment Act.

Financing. The Department can finance up to 50% of eligible project costs not to exceed \$2,500 per employee trained. However, the actual level of award for any project is based on an analysis of the following: (1) the viability of the project; (2) number and nature of the jobs created and retained; (3) employee wages and benefits; and (4) the economic impact on the community. Statutes permit grants or loans. Current Development Finance Board policy provides that all awards are made as grants.

Commerce is authorized to charge an origination fee of up to 2% of the grant if the grant exceeds \$200,000.

Eligible Uses. Grant funds may be used to pay base wages of trainees and associated instructional costs. Training may be provided by the business which receives the award, other businesses, a consultant or contractor, a local technical college, an adult education school, or a public or private secondary or post-secondary school. Awards cannot be used to fund the following costs incurred by a technical college or public secondary or post-secondary institution: (1) recruiting instructors before the training program begins; (2) developing program curricula; (3) recruiting, screening and counseling program trainees; (4) financial audit costs; and (5) renting instructional equipment and training facilities owned or leased by the district or institution, unless rented only for the training program.

Technology Development Grants and Loans and Technology Development Commercialization Loans

Purpose. To fund technical research by a business or consortium to develop new, or improve existing, industrial products or processes (technology development) and to assist businesses in infrastructure development and commercialization of a new product or process. Created in 1983 Wisconsin Act 27.

Eligible Applicants. A business or consortium.

Special Requirements. Recipients must contribute at least 25% of project costs as a match. The Board may establish a higher proportional match based on ability of the award recipient to finance a greater share of the project. Although Commerce can finance up to 75% of the eligible project cost the actual level of participation depends on factors such as: (1) commercial potential; (2) economic impact; (3) business viability; and (4) availability of funds. The level of funding provided for technology development awards also depends upon the scientific and technical merit, whereas the level of funding for commercialization and infrastructure awards also depends upon the collateral position available and the amount of private funds leveraged. A written agreement must be entered into by the business or members of the consortium regarding: (1) ownership of any patents or licenses resulting from research; (2) dissemination of information relating to research; and (3) responsibilities of persons conducting research.

Financing. Both grants and loans are authorized for technology development projects, and the type of award is determined by Commerce and the Development Finance Board. Technology development awards are typically structured so that Commerce shares in both the risks and benefits associated with the project. If the product or process being researched is successfully commercialized, repayment of the loan is required (usually with 4% interest amortized over five to seven years). If the project is not commercially viable, the loan may be forgiven.

Technology commercialization and infrastructural loans are provided at a below market interest rate (typically 4%) for the life of the loan. The terms of these loans are five to seven years for working capital, five to 10 years for equipment, and up to 15 years for real estate. The Department seeks the best collateral position possible to ensure the loans are adequately secured. Monthly payments of principal and interest, and personal guarantees are required.

The Development Finance Board may expend or encumber up to 1% of the WDF appropriation for: (1) evaluations of proposed technical research projects; and (2) grants to small businesses to prepare proposals for the federal small business innovation research program.

Eligible Uses. Awards can be granted for the following purposes:

- A technology development grant or loan to a business or consortium to fund technical research to develop new or to improve existing industrial products or processes that have a high probability of commercial success within a relatively short time period (two to three years), and will provide significant economic benefit to Wisconsin. Only costs directly associated with the proposed research project are eligible including salaries, professional services, equipment, and supplies and materials;

- A technology development loan to a business to provide working capital or fixed asset financing to develop the infrastructure of the business or for the initial commercialization of the new industrial product or process. The loan proceeds can only be used to pay costs related to the production, marketing, or sales of the new or improved product or process. As noted, loans can be used to provide working capital and to purchase equipment and real estate.

Major Economic Development Grants and Loans

Purpose. To fund projects that are not eligible for funding under criteria of any other WDF program, and that involve significant capital investment, or creation or retention of a significant number of jobs.

Eligible Applicants. Businesses, consortia, nonprofit business development organizations or local governments, on behalf of businesses.

Special Requirements. The Board must consider the following:

- The number of jobs the project will retain or increase;
- The value of capital investment by the business;
- The value of local infrastructure expenditures relating to the project; and
- The effects of the project on the state's economy and the municipality in which the project is located.

Financing. The Board decides the amount of funding for a project and a determination as to whether the award is a grant or loan. Historically, awards have ranged between \$3,000 and \$10,000 per full-time job created. The actual amount of an award is dependent upon factors such as the jobs created, economic impact on the community, collateral position available, and amount of private funds leveraged. Statutes permit loans or grants. Current Development Finance Board policy provides for awards to be made as loans with flexible terms. Loans are provided at or below market interest rate (typically 4%) with the length of the loan varying from five to seven years for working capital, five to 10 years for equipment, and up to 12 years for real estate. The best collateral position is sought to ensure loans are adequately secured. Monthly payments of principal and interest are required.

Recipients are typically required to provide a match of at least 50% of project cost. The Department is authorized to charge a loan origination fee of up to 2% of the loan amount if the loan exceeds \$200,000.

Eligible Uses. Allowable uses generally include expenditures for: construction and expansion; acquisition of existing businesses, land, buildings and equipment; and working capital.

Employee Ownership Assistance Grants

Purpose. To fund the cost of an independent

third party to provide professional services to evaluate the feasibility of an employee buy-out.

Eligible Applicants. Groups formed by, or on behalf of, current or former employees of existing businesses that are considering or have experienced layoffs or business closings. The applicant must intend to operate the business in Wisconsin as an employee-owned business, including businesses organized to involve substantial employee participation organized as a cooperative or corporation whose stock is owned through an employee stock ownership plan.

Special Requirements. To apply for a grant a group must submit an application including:

- A general analysis outlining the need for a feasibility study including such items as the number of affected employees, the economic impact of the business closing on the community, and a preliminary analysis of the potential for a successful buyout and feasibility for employee ownership.
- A petition supporting the buyout signed by a majority of members of the group and including the names and addresses of all the members of the group;
- A letter from a majority of the owners of business indicating a preference to sell the business to the group if the feasibility study concludes the proposed employee reorganization or new incorporation would be possible. (This letter is not required if the business is in bankruptcy or insolvency proceedings);
- The estimated cost and time required to conduct the feasibility study or to provide the service;
- A description of the group's financial assets available for matching the grant and a statement indicating the group's willingness to provide the match; and

- A written commitment from a person with the recognized expertise and experience necessary to conduct the feasibility study or provide the necessary professional services to be financed by the grant.

Before making a grant the Development Finance Board must consider all of the following:

- Number of employees affected by the closing or layoff;
- Group's management capability;
- Economic impact of the closing or layoff; and
- Preliminary assessment of the viability of the business as an employee-owned entity and the potential for a successful buyout.

Financing. The maximum grant is 75% of eligible project costs up to \$15,000. The actual amount of the award is based on factors such as: (1) the number of employees affected by the closing or layoff; (2) the management capability of the group; and (3) the economic impact on the community. An employee-owned business group must provide matching funds for at least 25% of the total funding needed, except the Board may waive this requirement if it determines that the group is subject to extreme financial hardship.

Eligible Uses. Expenditures for feasibility studies to investigate the reorganization or new incorporation of an existing business as an employee-owned business, and for professional services to implement the study.

Any feasibility study of an existing business may include information regarding the following:

- Financial condition of the business;
- Number and type of jobs to be created or retained;

- Production costs of the business;
- Market value and demand for any product produced;
- Reasons for the actual or proposed closing of the business;
- Appraised fair market value of the business' assets;
- Projected business plan of the proposed business; and
- Plan to implement the feasibility study if it is concluded that employee ownership is feasible.

Professional services include accounting services, engineering studies, design assistance, architectural services, appraisal services, marketing assistance, attorney services, financial packaging and employee relations services.

Urban Early Planning Grants

Purpose. To stimulate the startup and expansion of small businesses in Wisconsin's central cities by providing financial assistance to entrepreneurs and small businesses to fund professional services related to business start-ups or expansion.

Eligible Applicants. For-profit businesses, individuals, cooperatives, and childcare centers that have fewer than 50 employees. Because funding is limited, applicants must be in one of the following industry clusters: automation; agriculture/food products; biotechnology; information technology; manufacturing; medical devices; paper/forest products; printing; tourism; and childcare (not including in-home childcare).

Special Requirements. Grant applications must include all of the following:

- The location of the new or expanding business;

- The ownership structure of the new or expanding business;
- The product or service provided by the new or expanding business;
- The market for the product or service provided;
- Competition within the market;
- Any competitive advantages of the new or expanding business;
- The person's estimate of the gross revenue of the new or expanding business over a period specified by Commerce;
- The process for manufacturing the product, or providing the services, of the new or expanding business;
- The person's experience or training;
- An estimate of the number of jobs that will be created by the new or expanding business;
- The person's estimate of the capital required to complete the early planning project;
- The person's estimate of the profit that will be generated by the new or expanding business over a period specified by the Department;
- Potential sources of financing for the early planning project; and
- Any other information requested by the Department.

Financing. Grants can be made for up to 75% of eligible project costs up to \$15,000 to a single business. Grants are generally limited to \$3,000 or less, unless it can be demonstrated that the project will have a statewide impact. The actual award amount is determined by a process that uses underwriting criteria including type of industrial cluster, project

liability, public purpose, number and type of jobs created or retained, and location of business. Grant recipients must provide at least 25% of the funding needed for the project. The total amount of urban early planning grants that can be awarded is \$250,000 in a biennium. The Department can contract directly with and pay grant proceeds directly to any person providing technical or management assistance to the grant recipient.

Eligible Uses. Grants must be used to fund early planning projects. An early planning project is the preliminary stages of considering and planning the expansion or start-up of a business that is or will be located in an urban area in the state. An urban area would be: (1) a city, village or town that is located in a county with a population density of at least 150 persons per square mile; or (2) a city, village or town with a population of more than 6,000. Grant proceeds may only be used to pay a qualified, independent third party to: (1) perform a business feasibility study; (2) prepare a detailed marketing plan; or (3) prepare a detailed business plan. Project costs not eligible for early planning grant funding include: costs of applying to Commerce for funding; legal costs related to incorporating the business; architectural, engineering and design costs; business valuation and/or appraisal fees; costs associated with implementing the business plan; website development; and software purchases, installation or training.

Entrepreneurial Training Grants

Purpose. This is a program developed in conjunction with the University of Wisconsin-Extension Small Business Development Center (SBDC) designed to help entrepreneurs by providing financial assistance to cover a portion of the cost of attending SBDC's Entrepreneurial Training Course. Established in 2000.

Eligible Applicants. Wisconsin residents.

Special Requirements. Applicants are evaluated based on the following criteria:

- *Work Experience.* At least two years of relevant work experience;
- *Education/Training.* Education and training that are relevant to the proposed business venture;
- *Credit History.* Acceptable credit history; and
- *Available Capital.* Cash reserves necessary to invest in the proposed business.

Other factors that are considered in making awards include:

- *Community Benefit.* A positive economic impact on the local community;
- *Competition.* The potential for a negative impact on other local businesses; and
- *Area Demographics.* Likelihood of the proposed business being located in a target area.

Financing. Grants can be made for up to 75% of eligible tuition costs. Eligible tuition costs are limited to the tuition charged by the SBDC to attend the Entrepreneurial Training Course, including FastTrac. Grant recipients must provide a cash match of at least 25% of eligible tuition costs.

Eligible Uses. Grants must be used to cover the cost of tuition charged for attending the SBDC's Entrepreneurial Training Course. The goal of the program is that, after completing the coursework, entrepreneurs will have a comprehensive business plan that fully evaluates the feasibility of the proposed business start-up or expansion. The plan will formalize goals and objectives and assist in attracting private financing necessary to implement the plan.

Wisconsin Trade Project Program

Purpose. To encourage small- to medium-sized businesses to become exporters and help existing smaller exporters seek out new markets by attend-

ing international trade shows, U.S. trade shows (in certain circumstances), and U.S. Department of Commerce sanctioned "matchmaker" trade delegation events. Created in 1995.

Eligible Applicants. Businesses, including affiliates, with \$25,000,000 or less in gross annual sales that are operating in the state and manufacturing a product and/or performing a service with potential to be exported.

Special Requirements. Eligible businesses are required to submit an application that includes:

- An export development plan and description of how the activities for which reimbursement is sought will benefit the applicant's ability to export its product or service;
- An itemized budget of expenses for which reimbursement is sought;
- A description of the proposed use of the reimbursement; and
- Assurance that at least 50% of the manufactured value of the product or of the performance value of the service that is exported is produced in Wisconsin.

Commerce approval of reimbursement is based on: (1) the extent to which the business' export development plan demonstrates the potential of the product or service to be exported in a particular foreign market; and (2) the extent to which the business' proposed reimbursable activities are related to the potential success of the product or service to be exported. Priority is given to businesses that participate in the Department's export mentoring program.

Reimbursement can be provided for participation in U.S. trade shows only if the eligible business seeking reimbursement for its participation has developed a high-technology product with worldwide application and the trade shows have significant international participation.

Financing. The maximum reimbursement amount is \$5,000 a year, and not more than \$5,000 for participation in a single trade show or matchmaker trade delegation event. An eligible business that is approved for a reimbursement is required to provide the Department, within 90 days after the trade show or matchmaker trade delegation event, documentation of the costs for which reimbursement is sought. A business cannot be reimbursed more than once for the same trade show or matchmaker trade delegation that is held at different times or different locations. The maximum total reimbursement amount is \$15,000 over the life of the program. The maximum amount of WDF funds that can be used for trade project program reimbursements is \$100,000 for a fiscal year.

Eligible Uses. The following costs are eligible for reimbursement:

- Fees for participation in a trade show, a U.S. trade show, or a U.S. Department of Commerce sanctioned matchmaker trade delegation event;
- Costs associated with shipping displays, sample products, catalogs or advertising material to a trade show, a U.S. trade show, or matchmaker trade delegation event;
- Costs incurred at a trade show, a U.S. trade show, or matchmaker trade delegation event for utilities, booth construction or necessary modifications, repairs, or other reasonable expenses associated with displays; and
- Costs associated with foreign language translation of brochures, or product information, or with the use of translation services and interpreters at a trade show, a U.S. trade show, or matchmaker trade delegation event.

The following costs are not reimbursable:

- Travel costs
- Lodging

- Employee salaries
- Meals and Entertainment

Revolving Loan Fund Capitalization Grants

Purpose. To provide funding for local revolving loan funds, which are used to promote local and regional economic development, primarily in areas that experience business closings or substantial layoffs. This program is, in part, intended to operate in conjunction with the rapid response fund.

Eligible Applicants. Businesses, governmental units, and nonprofit organizations.

Special Requirements. Applicants for loan fund capitalization grants must:

- Submit a plan to the Department detailing the proposed use of the grant funds and the Secretary of Commerce must approve the plan;
- Enter into a written agreement with Commerce that specifies the conditions for use of the grant proceeds, including reporting and auditing requirements; and
- Agree to submit to the Department, within six months after spending the full amount of the grant, a report detailing how the grant proceeds were used.

Financing. Funding for local revolving loan funds is provided in the form of grants. The maximum total amount of loan fund capitalization grants that can be made in a biennium is \$500,000.

Eligible Uses. Grants must be used to establish or provide capital for local revolving loan funds. The revolving loan fund must be used to promote local or regional economic development. Local revolving loan funds can provide loans for purchases of equipment and other necessary items by businesses that move into prepared sites.

Commerce has not made any awards under this provision in recent years.

Rapid Response Fund

Purpose. To provide financial assistance to businesses or local governments to prepare sites for businesses to locate or expand, in communities that have experienced plant closings or substantial layoffs.

Eligible Applicants. Businesses and governmental entities.

Special Requirements. Applicants for rapid response fund loans must:

- Submit a plan to the Department detailing the proposed use of the loan and the Secretary of Commerce must approve the plan;
- Enter into a written agreement with the Department that specifies the conditions for use of the loan proceeds, including reporting and auditing requirements, and the loan repayment terms; and
- Agree in writing to submit to the Department, within six months after spending the full amount of the loan, a report detailing how the loan proceeds were used.

Financing. Funding is provided in the form of loans. Loan recipients must provide matching funds equal to 25% of the cost of the project up to a maximum of \$250,000. The Department may not award more than \$2 million in total loans from the rapid response fund in a biennium.

Eligible Uses. Loans can only be used for the following purposes:

- The renovation or improvement of an existing building;
- The purchase of land, an existing building, machinery or equipment; and

- The construction of a new building.

Commerce has not made any awards under this provision in recent years.

Wisconsin Procurement Institute Grants.

Under current law provisions, this is a statutory program funded by the WDF. However, since the maximum allowable grants have been awarded, no further grants can be made without increasing the statutory limit.

Purpose. To provide financial assistance to the Wisconsin Procurement Institute.

Eligible Applicants. The Wisconsin Procurement Institute (WPI). WPI is a nonprofit organization that provides marketing, education, and consulting services to state businesses. WPI operates programs that involve technical workforce training and development, technology transfer, and electronic commerce development that are designed to benefit state businesses.

Special Requirements. The Department is required to make grants to WPI if all of the following apply:

- The Wisconsin Procurement Institute uses the grant proceeds to further its efforts to secure federal government contracts and create jobs in the state;
- The WPI submits a plan to Commerce for each grant detailing the proposed use of the grant and the Secretary approves the plan;
- The WPI enters into a written agreement with Commerce that specifies the conditions for use of the grant proceeds, including reporting and auditing requirements; and
- The WPI agrees in writing to submit to the Department, within six months after spending the full amount of the grant, a report detailing how the grant proceeds were used.

Financing. The total amount of grants that the Department can make to WPI is limited to \$100,000. A grant of \$100,000 was made to WPI in 1999-00.

Eligible Uses. Grants can be used to fund WPI's activities that create jobs in the state, and assist businesses in obtaining federal contracts.

Small Cities Community Development Block Grant Program

Commerce is the state's designated recipient of federal funding for the small cities Community Development Block Grant (CDBG) program. The Division of Community Development in Commerce administers the economic development, public facilities, public facilities for economic development, planning grants, blight elimination and brownfield redevelopment, emergency grant, and technical assistance and planning subprograms, and the Division of Housing in the Department administers the CDBG housing subprogram. The public facilities for economic development subprogram was created in 1992, and has primarily been funded by program revenue under the economic development program. The discussion in this paper will focus on the administration of the federal funds and the nonhousing components of the program. A discussion of the housing component of the CDBG program is included in the Legislative Fiscal Bureau's informational paper entitled, "State Housing Programs."

Table 4 displays the total amount of small cities CDBG funding received by Wisconsin from 1985 through the 2004 CDBG plan year and the amounts allocated by Commerce in each year for the various subprograms. The figures shown in Table 4 represent allocations of new federal funding in each calendar year.

Commerce is authorized to set aside up to 75%

of CDBG funds for the economic development program, up to 75% of federal funds for the public facilities program, up to 10% for the planning grant program, up to 20% for the public facilities for economic development program, up to 10% for the blight elimination and brownfield redevelopment program, up to 5% for the emergency grant program, and 1% of CDBG funds for technical assistance and planning. For plan year 2004 Commerce has allocated 29% of the annual award of federal funds for housing, 34% for economic development, 17% for public facilities, 3% for blight elimination, and 1% for technical assistance and planning, exclusive of direct administrative costs. Federal guidelines allow the state to retain \$100,000 plus 2% of each annual award for state administrative costs associated with the program.

A project funded with small cities CDBG funds must meet one of the following national objectives:

- Benefit low- and moderate-income persons. (Income below 80% of median household income.)
- Meet a local urgent need. Commerce must determine that: (1) the project is designed to alleviate existing conditions which pose a serious and immediate threat to the health, safety or welfare of the municipality, or which is required by an order of a state agency, federal agency or court of law; (2) the existing conditions are of recent origin or became urgent within 18 months prior to the local government's application; (3) the local government is unable to finance the activity, as measured by available general obligation debt capacity; and (4) other sources of funding are not available on a timely basis.
- Prevention or elimination of slums or blight.

Eligible applicants for grants under the small cities CDBG program include most cities, villages and towns with populations under 50,000 and all counties except Dane, Waukesha and Milwaukee counties. Municipalities ineligible for program

Table 4: State's Community Development Block Grant Funding Allocations

Plan Year	Housing	Public Facilities	Planning Grants	Economic Development	Public Facilities for Economic Development	Blight Elimination & Brownfield Redevelopment	Emergency Grants	Technical Assistance	Program Administration	Total
1985	\$7,428,900	\$6,411,600	---	\$11,603,200	---	---	---	\$621,300	---	\$26,065,000
1986	7,731,100	5,027,100	---	9,238,800	---	---	---	551,000	---	22,548,000
1987	7,921,600	5,754,200	---	8,382,000	---	---	---	552,200	---	22,610,000
1988	5,374,400	5,844,600	---	10,089,200	---	---	---	536,900	---	21,845,100
1989	6,812,100	4,290,300	---	11,102,400	---	---	---	555,200	---	22,760,000
1990	5,750,900	3,891,300	---	10,873,100	---	---	---	520,700	---	21,036,000
1991	4,940,300	6,019,200	---	12,396,500	---	---	---	576,400	---	23,820,000
1992	7,406,700	4,835,500	---	9,651,200	\$2,795,700	---	---	605,900	---	25,295,000
1993	8,618,300	14,537,600	---	4,387,500	1,184,300	---	---	688,300	---	29,416,000
1994	9,563,600	16,150,300	---	6,164,500	---	---	---	752,600	---	32,631,000
1995	10,311,600	15,907,800	---	6,205,000	1,946,600	---	---	355,400	\$810,700	35,537,100
1996	10,109,900	14,815,200	---	8,774,500	---	---	---	348,500	796,900	34,845,000
1997	9,940,900	17,185,200	---	4,795,300	657,000	\$552,300	\$200,000	340,200	785,100	34,456,000
1998	9,734,800	17,035,100	---	4,658,600	---	1,020,800	---	335,600	771,100	33,556,000
1999	9,489,500	10,316,700	---	8,856,900	2,214,200	754,300	---	327,100	754,300	32,713,000
2000	9,558,200	12,144,900	---	8,484,800	1,115,100	557,600	---	329,500	759,000	32,949,100
2001	9,947,800	11,802,400	\$230,000	7,697,100	2,321,600	1,160,600	---	342,900	785,800	34,288,200
2002	9,870,100	7,830,300	230,300	10,363,600	2,303,000	1,151,500	1,151,500	340,200	780,400	34,020,900
2003	9,622,500	11,136,200	---	11,316,200*	---	---	---	331,700	763,400	33,170,000
2004	9,596,000	5,605,400	750,000	11,285,400*	2,750,000	1,000,000	1,000,000	330,800	761,600	33,079,200

*Includes an allocation of \$90,000 to the Main Street program.

funding are termed "entitlement communities" (generally, cities with populations of at least 50,000 and urban counties). Entitlement communities are eligible to receive CDBG funds directly from the federal government through the block grant entitlement program. The current entitlement communities follow:

Milwaukee County and all communities in Milwaukee County	Green Bay Janesville Kenosha La Crosse
Waukesha County and most communities in Waukesha County	Madison Neenah Oshkosh
Dane County and certain communities in Dane County	Racine Sheboygan
Appleton Beloit Eau Claire	Superior Wausau

In the sections that follow, significant features of each of the small cities CDBG block grant programs are described.

CDBG Economic Development Program

Purpose. To provide grants to local governments that use the funds to help finance business startups or expansions and to assist businesses that will invest private funds and create or retain jobs in the state.

Eligible Applicants. Most cities, villages and towns with populations under 50,000 and all counties except Dane, Waukesha and Milwaukee. Entitlement municipalities are not eligible.

Special Requirements. Before CDBG economic development funds are awarded to a municipality, Commerce must determine that the project that will be funded meets certain criteria related to public purpose, local citizen participation, reasonable project costs, prior commitment of financing, financial feasibility, ability to repay loans, creation or retention of jobs, and availability of alternative and matching funding. The Department must also consider a number of other factors including:

- The level of unemployment and poverty in the area;
- The prospects for new investment and economic development;
- The amount of investment; full-time jobs created and retained; the cost per full time job created; the amount of wages and benefits provided;
- The willingness to work with other governmental entities;
- The assurance of loan repayment;
- Prospects for unreasonable competitive advantage and relocation and job displacement elsewhere;
- Redevelopment of brownfield sites; and
- Elimination of slum and blight.

At least 51% of jobs created and retained by a project must be made available to low- and moderate-income persons. (Household income below 80% of median household income.)

Financing. Funds are granted to local governments that provide loans to companies to supplement other financing for projects that involve business startups, expansions or retentions. The maximum grant that a community may receive is \$1 million per year. The maximum amount of economic development assistance a business may receive from one or more local governments is \$1.0 million in a five-year period. The aggregate amount of CDBG economic development funds that may be awarded to local governments cannot exceed \$35,000 for each full-time job created or retained, and the amount awarded any person cannot exceed \$50,000 for each full-time job created or retained. However, Commerce typically awards between \$3,000 and \$10,000 per job created or retained. The actual amount of the award is dependent upon factors such as the viability of the project,

number and nature of jobs created, economic impact of the project and collateral position available. Matching private funds equal to 50% of the project cost must be provided. Economic development awards from CDBG funds are made on a continuous basis during the year.

A local government may establish a local revolving loan fund with business loan repayments. The fund can be used to provide financing for smaller (generally less than \$100,000) economic development projects. The total amount of repayments that may be retained in a local revolving loan fund varies based on population. However, the local government can retain repayments in excess of the limits under certain conditions. All repayments not retained by the local government are transferred to the Department and reallocated through the CDBG program.

Eligible Uses. Local governments must use CDBG funds for one of the following purposes that are designed to benefit low and moderate income persons: (1) a loan to a business that agrees to engage in job creation or retention activities; (2) job training, job placement, child care, transportation, or other similar services eligible under federal law; or (3) other activities that meet the national objective of benefiting low and moderate income persons through job creation.

The majority of economic development projects involve loans to business for:

- Acquisition of land, buildings, and fixed equipment;
- Construction, expansion, and remodeling; and
- Working capital for inventory and direct labor.

Funds cannot be used for:

- Refinancing, purchasing motor vehicles, or

for certain other costs;

- Projects which provide a business an unreasonable competitive advantage over other state businesses in the same industry; and
- Projects involving relocation of a business from one municipality to another municipality in the state if relocation would result in worker displacement, unless Commerce determines that waiving this restriction would be in the state's best interest.

CDBG Economic Development - Milk Volume Production (MVP) Program

This program was created in 2002 and is funded by CDBG economic development monies.

Purpose. To provide financial assistance to dairy producers that are undertaking capital improvement projects that will result in a significant increase in Wisconsin's milk production.

Eligible Applicants. Grants are made to eligible local governments which use the funds for loans to local dairy producers.

Special Requirements. The level of Commerce participation is based on a comprehensive evaluation of the project based on the following criteria: (1) financial management skills; (2) production management skills; (3) labor management experience; (4) environmental management skills; and (5) the ability to secure private sector financing necessary to make the project successful.

Financing. The maximum CDBG economic development grant to a community is \$1.0 million. As noted, the community can then use the funds to make loans to dairy producers. The loan term is seven years with a fixed interest rate of 2% for the life of the loan. Repayment is deferred for the first year followed by interest only payments in the second year. The loan is then amortized during years three through seven with equal monthly

payments of principal and interest. The maximum award that can be made to an individual producer is \$1.0 million, or \$500 for each dairy cow added to the operation. The CDBG has administrative requirements, including providing \$6,000 to cover local administrative costs, that effectively limit the program to providing grants in excess of \$50,000.

Eligible Uses. Project costs are limited to the cost of acquiring dairy cows.

CDBG Public Facilities Program

Purpose. To provide financial assistance to local governments to fund projects that correct deficiencies in public infrastructures that affect public health, safety, or another essential need.

Eligible Applicants. Most cities, villages and towns with populations under 50,000 and all counties except Waukesha, Dane and Milwaukee. Entitlement communities are not eligible.

Special Requirements. Local governments submit applications for grants to Commerce. Applications are scored using a point system that considers distress indicators, need for the project, local government's ability-to-pay and ability to leverage CDBG funds with other funds. Commerce awards grants to individual municipalities based on its evaluation of the score of applications received from eligible local governments. At least 51% of the beneficiaries of a project funded with CDBG public facilities funds must be low or moderate income.

Distress indicators used to rank applications include the net mill rate, full value per capita, and the median household income in the area affected by the project. The project is assessed to determine if it is needed to alleviate an urgent health and safety problem, an imminent health and safety problem, or likely health and safety problems, or is required to meet other essential needs. Applications are rated based on the local government's ability-to-pay for the project as measured by local residential utility rates and the local government's general obligation debt capacity. Applicants must

also provide evidence of the availability of firm commitments for the balance of project funding from creditworthy sources to ensure timely completion of the project.

Financing. Funds are awarded through a competitive process by assigning points to each application according to criteria enumerated in the administrative rules. The maximum amount of funding that a community may receive is \$750,000 in a calendar year; however, most awards are \$500,000 or less. Local governments must provide matching funding of at least 10% of total project cost from sources other than state and federal grants. Public facility CDBG awards are made on a continual basis throughout the year.

Eligible Uses. Awards can be used to fund public utility system improvements, streets, sidewalks, handicap accessibility projects, and public buildings (excluding buildings for the conduct of government).

CDBG Planning Grant Program

Purpose. To provide funding to develop plans for specific public facilities projects.

Eligible Applicants. Most cities, villages and towns with populations under 50,000 and all counties except Waukesha, Dane, and Milwaukee. CDBG entitlement communities are not eligible.

Special Requirements. An application for a planning grant must contain information that identifies how all of the following requirements are satisfied.

- The local government has identified a specific project that needs further planning;
- The specific project will serve a public purpose;
- The specific project is an eligible CDBG activity;

- The local government has a citizen participation plan as required under federal law;
- The specific planning costs are reasonable;
- At least 25% of total planning costs must be funded with local revenues other than state and federal grants.
- The planning for the specific project has the support of local community and economic development organizations or business groups;
- The local government has capacity and capability to conduct the planning or commits to the retention of professional planning services;
- The planning will likely result in the implementation of the specific project being planned; and
- The local government certifies that the planning grant is not a commitment of CDBG funding at a later date for plan implementation.

The application must also include: (1) an analysis of the current status of and any deficiencies in public facilities, services, buildings or a defined geographic area; (2) an analysis of alternative means of correcting such deficiencies; and (3) a written plan for the selection of a proposed course of action, a narrative description, cost estimates and a map of the project location or defined geographic area.

In reviewing applications, the Department must consider all of the following:

- Whether the project addresses one of the three national objectives of benefiting low and moderate income persons, meeting an urgent local need, or preventing or eliminating slums or blight;
- The extent of poverty, unemployment, labor shortages, or other economic factors in the specific project area;

- The prospects for other new investment, and community and economic development in the specific project area;
 - The amount of additional investment and public health and safety that is likely to result from the plan implementation;
 - The likelihood that the specific project will result in the preservation or expansion of the existing tax base; and
 - The planning for the specific project is consistent with other planned or recently completed community or economic development projects.

Financing. The maximum public facilities planning grant that can be awarded to a local government is \$25,000. Matching funds of at least 25% of total planning costs must be provided. Planning grants can be made throughout the year. The award of a planning grant does not commit the Department to provide funding for implementing the plan.

Eligible Uses. Awards must be used to fund planning activities for CDBG projects that meet one of the three national objectives for the CDBG program: (1) benefit low and moderate income; (2) slum and blight removal; and (3) urgent local need. The planning projects must be for a CDBG eligible activity and project specific.

CDBG Public Facilities for Economic Development Program

Purpose. To provide funding for the expansion or improvement of municipal infrastructure which directly benefit individual businesses that will create or retain jobs and expand the tax base.

Eligible Applicants. Most cities, villages and towns with populations under 50,000 and all counties except Waukesha, Dane and Milwaukee. Entitlement municipalities are not eligible.

Special Requirements. Before CDBG economic development funds are awarded to a municipality, Commerce must determine that the project that will be funded meets certain criteria related to public purpose, local citizen participation, reasonable project costs, prior commitment of financing, financial feasibility, creation or retention of jobs, and availability of alternative funding. The Department must also consider a number of other factors including:

- The level of unemployment and poverty in the area;
- The prospects for new investment and economic development;
- The amount of investment;
- Full-time jobs created and retained;
- The cost per full time job created;
- The amount of wages and benefits provided;
- The willingness to work with other governmental entities;
- The assurance of loan repayment;
- Prospects for unfair competitive advantage and relocation and job displacement elsewhere;
- Redevelopment of brownfield sites; and
- Elimination of slum and blight.

At least 51% of jobs created and retained by a project must be made available to low- and moderate-income persons.

Financing. This program provides grants to communities that use the funds to underwrite the cost of infrastructure for business development. The maximum grant that can be awarded to a community is \$750,000. However, the amount

awarded may not exceed \$10,000 for each full-time job created or retained. The local government must contribute at least 25% of total project funding from sources other than federal and state grants. Funding for the program is provided through the reuse of program income Commerce receives from local units of government that repay CDBG economic development loans. Also, up to 10% of CDBG funds can be allocated to public facilities for economic development grants. Applications are accepted year-round, subject to the availability of funding.

Eligible Uses. Improvements to infrastructure such as water systems, sewerage systems, roads, and other such facilities that are owned by a local government, which principally are to serve a business entity that creates jobs.

Emergency Grants

Purpose. To provide emergency assistance to local governments that experience natural disasters or other catastrophic events that threaten public health or safety of the community, and lead to an urgent need for infrastructure repairs or replacement.

Eligible Applicants. Local governments that are eligible for small cities CDBG grants and that experience natural disasters or catastrophic events. In addition, the situation must be such that it is not practical to apply for and receive assistance through the normal public facilities applications cycle.

Special Requirements. Commerce must determine that all of the following criteria are met:

- The municipality has suffered a natural disaster or catastrophic event;
- The project is designed to alleviate existing conditions that pose a serious and immediate threat to the health, safety or welfare of the community;

- The local government will use the grant to finance projects eligible for CDBG public facilities grants or emergency services necessitated by the natural disaster or catastrophic event;

- The local government lacks financial capability to pay for the infrastructure repairs or replacements; and

- The local government will provide funding of at least 25% of project costs.

The Department must also consider the local government's general obligation debt borrowing capacity, the availability of funding from other government sources, the availability of insurance, and other factors the Department considers relevant.

A local government must apply for CDBG emergency grants within 90 days of the natural disaster or catastrophic event. An application must include the following:

- Documentation of a state or federal disaster declaration or a description of the natural disaster or catastrophic event;

- A description of the resulting damage or destruction;

- A description of the activities that will be funded with the emergency grant;

- A budget;

- Evidence that the local government has matching funds of at least 25% of project cost;

- A discussion of alternative remedies available to the local government; and

- Other information required by the Department.

Financing. Commerce does not typically budget for emergency grants, however, 5% of its annual

CDBG allocation can be used for such grants. The maximum emergency grant amount is \$500,000.

Eligible Uses. Awards can be used to fund local infrastructure repairs and replacements, and emergency services.

CDBG Blight Elimination and Brownfield Redevelopment Program

Purpose. To provide financial assistance to communities in assessing or remediating environmental contamination on abandoned, idle or underused, and blighted commercial or industrial sites to promote development of those sites.

Eligible Applicants. Most cities, villages and towns with populations under 50,000 and all counties except Waukesha, Dane and Milwaukee. Entitlement municipalities are not eligible.

Special Requirements. Commerce must determine that all of the following conditions are met:

- The project serves a public purpose;

- The local government has a citizen participation plan;

- The local government has adopted a blighted or brownfield redevelopment plan relating to the specific site;

- The project costs are reasonable;

- All sources of project financing will be committed prior to disbursement of the CDBG grant;

- The project will likely result in redevelopment of a blighted or brownfield site for commercial or industrial use or other use or uses which will result in the site having taxable value;

- The project will likely retain or create jobs in the state; and

- The local government will contribute at least 25% of the total cost of the project from funding sources other than grants from the federal or state governments.

The Department must also consider other factors including:

- Whether the project is intended to prevent or eliminate slums or blight;
- The extent of poverty and unemployment and other economic factors in the area;
- The amount of investment;
- The likelihood and number of full-time jobs created or retained;
- The amount of estimated tax base to be created when the project is complete;
- The likelihood that the project activity will commence shortly after receipt of the grant; and
- The wages and benefits that will be paid.

Commerce may require a local government and any business or nonprofit entity that receives CDBG funds to execute a blight elimination and brownfield redevelopment agreement, and to provide other documents committing to the redevelopment of a blighted or brownfield site.

Financing. Awards are made as grants to eligible local governments. The local government may use the funds for an environmental audit or environmental remediation, or may loan or grant the funds to local businesses or nonprofit organizations to conduct an environmental audit or environmental remediation. The maximum award is \$100,000 for environmental audits, and \$500,000 for environmental remediation projects. The local government must contribute at least 25% of the total project cost from other sources. Municipalities that receive grants must make a commitment to pursue recovery of environmental remediation costs from

parties causing the contamination, and to reimburse the Department a proportional share of CDBG funds. In addition, all program income received in connection with loans to businesses or nonprofit corporations must be paid to the Department within 30 days.

Eligible Uses. Environmental site assessments (Phase I, II or III site assessments) or the environmental remediation of sites that are blighted subject to the following conditions: (1) the applicant has a redevelopment plan for the property; (2) the project will result in the redevelopment of the brownfields sight for a taxable reuse; (3) the applicant will repay amounts loaned to businesses or nonprofits; and (4) the applicant demonstrates need, and demonstrates the project is the best alternative for the project site.

CDBG Technical Assistance and Planning

Purpose. Provide technical assistance to businesses and local governments related to obtaining and using CDBG funds. Provide limited economic and community development assistance in the form of planning grants for urgent or critical needs.

Eligible Applicants. Local governments and businesses that are eligible for small cities CDBG funding.

Technical Assistance. Objectives include maximizing utilization of CDBG funds at the local government level, maintaining compliance with CDBG program regulations, expanding CDBG program participation, and working with local officials to leverage other resources.

Specific technical assistance activities include:

- Technical assistance to local revolving loan fund administrators, particularly in the areas of financial record-keeping, program design, loan application review, underwriting, documentation and servicing, and portfolio management;
- Collaborate with local revolving loan fund

administrators to help develop loan servicing systems to track loan repayments, and to ensure timely updating of security instruments;

- Counsel revolving loan fund administrators, or marketing, networking with other lenders in the community, establishing relationships with start-up enterprises, woman-owned and minority businesses, and coordinating with other economic development enterprises;
- Assist CDBG grant administrators in reporting and compliance requirements;
- Provide one-on-one technical assistance to local officials on CDBG program design and application preparation;
- Assist program design and application preparation;
- Assist local officials in completing progress and closeout program reports, wage rate reports, environmental reviews and compliance reports; and
- Assist local businesses on more effectively accessing and retaining workers who are made available through local job centers.

Technical assistance staff accomplish these initiatives through on-site visits, training, seminars and workshops, and through preparation and distribution of guidance and instructional materials.

Financial Assistance. Local governments may apply to Commerce for technical assistance planning grants to assist with emergency economic development coordinating and planning activities. The grants are designed to assist local economic development practitioners in providing emergency responses to major economic or community development events that impact on the community, such as plant closings or consolidations.

Commerce can use up to 1% of its annual

CDBG allocation for technical assistance initiatives.

Legislative Grants

In addition to awards provided through regular CDBG programs, the Legislature has specified that certain grants be made from CDBG funds. As passed by the Legislature, the 1999-01 biennial budget included provisions that required Commerce to make the following CDBG Public Facilities grants:

1. A grant of \$299,000 in 1999-00 to the Town of Rib Mountain to drill a new water well. The Town was required to submit a report to Commerce, within six months after spending the grant amount, detailing how the grant proceeds were spent.

2. A grant of \$250,000 in 1999-00 to a county with a YWCA that was constructing a domestic violence structure in a second class city with a population between 52,000 and 60,000 (Janesville). The county was required to use the grant to provide financial assistance to the YWCA for construction of the domestic violence shelter. Within six months after spending the entire amount of the grant the county was required to submit a report to Commerce detailing how the grant proceeds were spent.

The Governor item-vetoed the requirement that these grants be made as CDBG grants and left the funding source unspecified. However, in 1999-00 each community applied for and received a CDBG public facilities grant for the designated project.

The 2001-03 biennial budget, as passed by the Legislature, included a provision that would have required Commerce to make a CDBG public facilities grant of \$260,000 by June 20, 2003, to the Westby Fire Department, if the fire department would be denied a federal FEMA fire grant. Commerce would be required to enter into an agreement with the Westby Fire Department that specified the uses for the grant proceeds and reporting

and auditing requirements. The Governor item-vetoed this provision.

Minority Business Development Program

The Minority Business Development (MBD) program was created in 1989 and provides the following types of financial assistance: (1) early planning grants; (2) entrepreneurial training grants; (3) business development grants and loans; (4) grants and loans to local development corporations for development projects and local revolving loan fund programs; (5) business incubator grants; and (6) education and training grants. Entrepreneurial training grants were developed by Commerce in partnership with the Small Business Development Center (SBDC) at the University of Wisconsin-Extension. The Department also makes business employee's skills training (BEST) grants through MBD. The Minority Business Development Board must approve education and training grants and loans and grants to local development corporations. Commerce is authorized to make awards under the other programs, however, final approval of awards rests with the Board. The Board consists of five persons appointed by the Governor for two-year terms.

Similar to the WDF (and Rural Economic Development programs), the Minority Business Development (MBD) program is funded through both a GPR appropriation and a program revenue repayments appropriation. Beginning with the 2001-03 biennium, the program revenue repayments appropriation became the primary source of program funding. The GPR appropriation is biennial and, consequently, funds that are not encumbered at the end of the biennium lapse to the general fund. Loan repayments are placed in the continuing program revenue repayments appropriation and used to fund MBD awards.

Prior to the 1995-97 biennium, additional one-time GPR funding was often provided to the MBD

for specific projects. For example, \$100,000 GPR was provided for the Milwaukee Enterprise Center and \$100,000 GPR was provided for the Milwaukee Hispanic Chamber of Commerce in both 1993-94 and 1994-95 (a total of \$400,000 GPR for the biennium). In addition, existing MBD funding has sometimes been set-aside for a specific purpose. As an example, during the 1993-95 biennium, the Department of Development was authorized to make a grant of up to \$250,000 to the Lisbon Avenue Health Center to renovate the Center. The 2001-03 biennial budget required Commerce to make a grant of \$160,000 in 2001-02 to the United Community Center in Milwaukee.

Table 5 shows total MBD funding and the amount awarded and encumbered for fiscal years 1990-91 through 2004-05. The table is based on information from Department of Commerce MBD program history reports. The table shows the different sources of funding for the program including one-time GPR amounts, program revenue repayments, and a transfer from the WDF repayments appropriation in the 1995-97 biennium. Program revenue repayments shown in the table represent the expenditure authority provided for each year not the actual amount expended. Amounts that were provided through a specific MBD program and set asides of program funding are shown under the awards section of the table. Awards made through the business employee's skills training program are included in amounts shown for entrepreneurial training grants.

Table 6 shows MBD loan repayments and program revenue expenditures for each fiscal year from 1997-98 through 2003-04. The table indicates that there was a substantial unencumbered balance in the repayments appropriation at the end of 2003-04. The balance is primarily a result of a low level of expenditures and encumbrances in the appropriation from 1991-02 through 1997-98. The fluctuation in expenditure authority reflects shifts made in the proportion of total MBF funding provided by the program revenue appropriation in order to use the balance that was building up in the

Table 5: Minority Business Development Program Appropriations and Amounts Awarded and Encumbered

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Appropriations															
GPR															
Base Level Funding	\$500,000	\$500,000	\$500,000	\$479,200	\$479,200	\$479,200	\$429,200	\$429,200	\$429,200	\$329,200	\$329,200	\$279,200	\$279,200	\$0	\$254,200
One-Time Funding	<u>250,000</u>	<u>0</u>	<u>1,000,000</u>	<u>200,000</u>	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total GPR	\$750,000	\$500,000	\$1,500,000	\$679,200	\$679,200	\$479,200	\$429,200	\$429,200	\$429,200	\$329,200	\$329,200	\$279,200	\$279,000	\$0	\$254,200
PR Repayments	\$0	\$0	\$0	\$145,800	\$175,800	\$190,000	\$202,300	\$493,400	\$167,200	\$267,200	\$267,200	\$477,200	\$317,200	\$571,400	\$317,200
WDF Transfer	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total MBD Funding	\$750,000	\$500,000	\$1,500,000	\$825,000	\$855,000	\$769,200	\$731,500	\$922,600	\$596,400	\$596,400	\$596,400	\$756,400	\$596,400	\$571,400	\$571,400
Awards*															
Funding Set Asides	\$600,000	\$100,000	\$1,000,000	\$450,000	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$160,000	\$0	\$0	N.A.
Early Planning Grants**	49,400	27,200	30,100	31,500	46,500	50,000	101,300	156,500	135,500	120,900	158,500	187,300	150,600	147,300	N.A.
Business Development Grants and Loans	1,049,000	481,400	369,400	486,000	161,800	115,000	267,300	314,100	576,500	173,000	474,300	342,200	283,500	433,700	N.A.
Revolving Fund Grants and Loans	0	0	0	0	0	0	700,000	0	0	0	0	0	0	100,000	N.A.
Minority Business Incubator Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>45,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>N.A.</u>
Total Awards	\$1,698,400	\$608,600	\$1,399,500	\$967,500	\$408,300	\$165,000	\$1,068,600	\$470,600	\$712,000	\$293,900	\$677,800	\$689,500	\$434,100	\$681,000	N.A.
Encumbered															

N.A. - Not Available.

*Because the GPR appropriation is biennial, in one year of a biennium, annual awards may exceed the annual appropriation.

**Includes Minority Business Early Planning Grants, Entrepreneurial Training Grants, and Business Employee Skills Training (BEST) grants.

Source: Department of Commerce, Minority Business Finance Program history report.

Table 6: MBD Loan Repayment Appropriation -- Annual Revenues, Expenditures, and Expenditure Authority

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Prior Year Unexpended Revenue	\$437,300	\$735,500	\$966,500	\$849,900	\$870,100	\$1,034,200	\$1,097,700
Current Year Revenue	<u>308,700</u>	<u>233,600</u>	<u>144,000</u>	<u>168,800</u>	<u>286,500</u>	<u>304,600</u>	<u>294,500</u>
Total Revenue	\$746,000	\$969,100	\$1,110,500	\$1,018,700	\$1,566,600	\$1,338,800	\$1,392,200
Expenditures	<u>10,500</u>	<u>2,600</u>	<u>260,600</u>	<u>148,600</u>	<u>122,400</u>	<u>241,100</u>	<u>254,400</u>
Year End Unexpended Revenue	\$735,500	\$966,500	\$849,900	\$870,100	\$1,034,200	\$1,097,700	\$1,137,800
Encumbrances	<u>29,100</u>	<u>291,300</u>	<u>11,000</u>	<u>234,400</u>	<u>261,000</u>	<u>341,100</u>	<u>573,400</u>
Year End Unencumbered Balance	\$706,400	\$675,200	\$838,900	\$635,700	\$773,200	\$756,600	\$564,400
Expenditure Authority	\$493,400	\$167,200	\$267,200	\$267,200	\$477,200	\$317,200	\$571,400

appropriation. For example, the total amount of funding appropriated for MBD awards in 2003-04 is \$571,400 PR, all from the repayments appropriation. (funding of \$254,200 GPR and \$317,200 PR is provided the MBD in 2004-05.) Since 1998-99 total annual expenditures and encumbrances have been significantly higher than annual revenues. Similarly, the annual expenditure authority has exceeded annual revenues. If this pattern continues into the future, at some point, total funding available for the MBD will be less than the appropriated amount.

In making awards from the minority business development fund, Commerce or the Board must determine that all of the following criteria have been met:

- The project serves a public purpose;
- The project will retain or increase employment in Wisconsin;
- The project is not likely to occur without the grant or loan;
- Financing is unavailable from any other source on reasonably equivalent terms;
- The recipient of the grant or loan will contribute nonstate matching funds;

- Grant or loan funds will not be used to replace funds from any other source;
- The project will not displace workers in the state;
- The project has sufficient potential to be profitable;
- If a development project, state funds will not be used to refinance existing debt; and
- The project has potential to promote economic development and employment opportunities for minority group members or minority businesses.

Commerce or the Board must also consider the following additional criteria before awarding an early planning grant or a minority business development grant or loan:

- The extent to which the project will retain or increase employment in Wisconsin, benefit minority group members, and be located or attract capital into locations where unemployment exceeds the statewide average, or per capita income is below the statewide average;
- If a development project, whether it will be located in an area of high unemployment, below

average income, or a development zone or an enterprise development zone;

- The likelihood that the project will be successful; and
- If a development project, the financial soundness of the minority business involved and the commitment of the recipient to repay the state funds.

MBD Programs. General provisions and definitions as well as program specific statutory provisions and administrative rules govern each of the MBD programs. The definitions include the following:

A minority business is a sole proprietorship, partnership, limited liability company, joint venture or corporation that is: (1) at least 51% owned, controlled and actively managed by a minority group member or members who are U.S. citizens or persons lawfully admitted to the U.S. for permanent residence; and (2) is currently performing a useful business function.

A minority group member is one of the following: (1) a Black; (2) a Hispanic; (3) an American Indian; (4) an Eskimo; (5) an Aleut; (6) a native Hawaiian; (7) an Asian-Indian; and (8) a person of Asian-Pacific origin.

A useful business function is the provision of materials, supplies equipment or services to customers. Acting as a conduit to transfer funds to a non-minority business does not constitute a useful business function, unless doing so is a normal business practice.

A local development corporation is any of the following: (1) the elected governing body of an Indian tribe or band, or a business created by the elected governing body, or (2) a nonprofit corporation at least 51% controlled and managed by minority group members, that has experience in or promotes economic development issues, and that

operates and promotes economic development and employment opportunities for minority group members or minority businesses within specific boundaries.

A minority financial advisor or investment firm is a sole proprietorship, partnership, limited liability company, joint venture or corporation that is: (1) at least 51% owned, controlled and actively managed by a minority group member or members who are U.S. citizens or persons lawfully admitted to the U.S. for permanent residence; and (2) respectively serves either as an advisor or as a broker-dealer, manager, co-manager or in any other underwriting capacity with respect to the sale of evidences of indebtedness or other obligations.

Each successful applicant is required to enter into a contract with the Department to implement the proposed grant or loan. The Secretary of Commerce and the chief executive officer or representative sign the contract. The Department may void a contract and seek return of any funds released under the contract for failure of the recipient to perform its obligations under the contract. Amendments to these contracts may be adopted by written consent of both parties.

Each grant or loan recipient must periodically submit financial and program reports to the Department. A financial audit and the final program report must be submitted at the end of the contract, and the cost of the audit may be covered by the by the project grant or loan. The contract specifies the dates by which the financial reports, audit and program reports must be submitted.

Significant features of MBD programs are summarized in the sections that follow.

Minority Business Early Planning Grants

Purpose. To fund professional services related to the preliminary stages of considering and planning the start-up or expansion of a business that will be

a minority business.

Eligible Applicants. Individuals who are both minority group members and state residents. Minority-owned businesses that are certified by the Department. Because funding is limited, applicants must be in one of the following industry clusters: automation; agriculture/food products; biotechnology; information technology; manufacturing; medical devices; paper/forest products; printing; tourism; and child care.

Special Requirements. Applicants must submit applications that contain all of the following:

- Potential locations and ownership structure of the new minority business;
- Product or services provided by the business, the market for the product or services, and competition within that market;
- Any competitive advantages of the business;
- Estimate of the gross revenue of, and the profit that would be generated by the minority business over a specified period;
- Process of manufacturing the product or providing the services of the business;
- Estimated number of jobs to be created by the business;
- Applicant's experience and training, and estimate of the capital required to complete the project; and
- Potential sources of financing for the project.

Before it awards an early planning grant the Department must consider:

- The experience and training of the

applicant;

- The amount of funds provided by the applicant to the proposed project;
- The nature of the jobs to be created and the level of compensation; and
- Whether the proposed business is part of a growth industry.

Financing. Commerce may not award more than \$15,000 in a biennium to any one person or for any one project. Commerce limits the maximum award to \$3,000, unless it can be demonstrated that the project will have a statewide impact. The total amount of MBD funds that can be awarded for early planning grants are limited to 25% of the amount of GPR funding appropriated, and the amount of PR funding appropriated or received for the biennium. The recipient must provide matching funding of at least 25% of the cost of professional services. The Department can contract directly with, and pay grant proceeds directly to, any person providing technical or management assistance to grant recipients.

Eligible Uses. Grant proceeds may only be used to pay an independent third party to: (a) perform a business feasibility study; (b) prepare a detailed marketing plan; or (c) prepare a detailed business plan. Project costs not eligible for early planning grant funding include: costs of applying to Commerce for funding; legal costs related to incorporating the business; architectural engineering and design costs; business valuation and/or appraisal fees; costs associated with implementing the business plan; website development; and software purchases, installation or training.

Entrepreneurial Training Grants

Purpose. This is a program developed in conjunction with the University of Wisconsin-Extension Small Business Development Center (SBDC) designed to help entrepreneurs by provid-

ing financial assistance to cover a portion of the cost of attending SBDC's Entrepreneurial Training Course. Established in 2000.

Eligible Applicants. Wisconsin residents who are minority group members.

Special Requirements. The underwriting process uses the following criteria:

- *Work Experience.* At least two years of relevant work experience;
- *Education/Training.* Education and training that are relevant to the proposed business venture;
- *Credit History.* Acceptable credit history; and
- *Available Capital.* Cash reserves necessary to invest in the proposed business.

Other factors that are considered in making awards include:

- *Community Benefit.* A positive economic impact on the local community;
- *Competition.* The potential for a negative impact on other local businesses; and
- *Area Demographics.* Likelihood of the proposed business being located in a target area.

Financing. Grants can be made for up to 75% of eligible tuition costs. Eligible tuition costs are limited to the tuition charged by the SBDC to attend the Entrepreneurial Training Course, including FastTrac. Grant recipients must provide a cash match of at least 25% of eligible tuition costs.

Eligible Uses. Grants must be used to cover the cost of tuition charged for attending the SBDC's Entrepreneurial Training Course. The goal of the program is that, after completing the coursework, entrepreneurs will have a comprehensive business

plan that fully evaluates the feasibility of the proposed business start-up or expansion. The plan will formalize goals and objectives and assist in attracting private financing necessary to implement the plan.

Minority Business Development Grants and Loans

Purpose. To provide financial assistance to minority group members or minority businesses to fund development projects involving the start-up, expansion or acquisition of minority businesses, or the promotion of economic development and unemployment opportunities for minority group members or minority businesses.

Eligible Applicants. Minority group members who are residents of this state, minority businesses, and local development corporations. Applicants must have a comprehensive business plan fully describing the proposed project.

Special Requirements. Applicants must submit specified information on prospect data sheets to the Bureau of Minority Business. The information is used to assist the Department or Board in making required determinations and considerations. A finance specialist will underwrite the project and make a funding recommendation to the Board. The loan review process uses specific underwriting criteria (described under entrepreneurial training grants) to determine the amount of the award. The goal of Commerce is to encourage partnerships among businesses and organizations. Applicants are encouraged to work with a bank and local development corporation to structure a loan package. The MBD loan may not be the sole source of financing, but rather gap financing. Applicants should have some equity in the project.

Financing. The award amount is determined by a review process that uses the Department's general underwriting criteria: (1) work experience; (2) education/training; (3) available capital/financing; (4) community benefit; (5) jobs created/retained;

(6) competitive impact; and (7) area demographics. Awards are generally made in the form of loans at below market interest rates (4%) with payment terms amortized to correlate with the useful life of the financed assets. Payment terms are 10 to 15 years for real estate, five to 10 years for equipment, and five to seven years for working capital. Award recipients must contribute matching funds equaling at least 25% of project costs.

Eligible Uses. Recipients may use awards for working capital, machinery, equipment, land and buildings, to acquire existing businesses, and for related expenses. Funds may not be used to refinance existing debt. Eligible project costs do not include entertainment expenses or expenses incurred more than six months before the award is approved.

Minority Business Revolving Loan Fund Grants and Loans

Purpose. To provide capital to revolving loan funds administered by local development corporations to fund minority business development projects.

Eligible Applicants. Local development corporations that are controlled and managed by minority group members. The local development corporation must: (1) operate within specific geographic boundaries; (2) promote economic development within a specific geographic area; and (3) demonstrate a commitment to and experience in economic development with minority groups, members, or businesses.

Special Requirements. Applications submitted by local development corporations must include:

- Documentation of eligibility and strategic plan of organization;
- Evidence of fiscal capacity;
- Revolving loan fund plans, policies and procedures;

- Information about staff; and
- Other related information.

An annual report must be submitted to Commerce that documents the use of the funds received, and that identifies the minority businesses that receive revolving loan fund financing.

Financing. The maximum amount the Board may award to any one eligible recipient or local development corporation or for any one development project is \$100,000 in a biennium. The local development corporation must provide matching funds equal to at least 50% of the cost of the project. Awards to local development corporations can be used to: (1) make grants or loans up to \$50,000 to minority group members or minority businesses for development projects; or (2) to create, expand or continue a revolving loan fund program that is operated by the local development corporation and that benefits, or will benefit, minority businesses or minority group members that are residents of the state. Program funds must be targeted to certifiable minority business enterprises that have their principal place of business in Wisconsin.

Eligible Uses. Local development corporation and revolving fund grants and loans can be used to fund: (1) costs incurred in the start-up of a minority business; (2) the expansion or acquisition of a minority business; or (3) for the promotion of economic development and employment opportunities for minority group members or minority businesses. Recipients of local development corporations revolving fund awards must provide a 100% match in additional funds. All funds must be used for financing; funding cannot be used for administration.

Minority Business Development Finance and Education and Training Grants

Purpose. To provide funding to private financial institutions for microloans and to nonprofit organizations for education and training programs

for minority group members and minority businesses.

Eligible Applicants. Nonprofit organizations and private financial institutions. Financial institutions include banks, savings and loan associations, credit unions, insurance companies, finance companies, mortgage bankers, community development corporations, small business investment corporations, pension funds, and other lenders which provide commercial loans in the state. Nonprofit organizations that are minority businesses are eligible for awards to fund education and training projects.

Financing. The Board makes grants to nonprofit organizations and private financial institutions for microloans, and to fund financing costs for minority group members and minority businesses. Microloans made by the nonprofit organizations and financial institutions cannot exceed \$5,000. Grants are made to nonprofit organizations that are minority businesses to fund education and training projects. Matching funds equal to 25% of project costs are required.

Eligible Uses. Nonprofit organizations and financial institutions may use grant proceeds for: (1) loans for working capital; and (2) paying origination fees or other administrative costs associated with making loans for working capital. Nonprofit organizations that are minority businesses can use grant proceeds to fund education and training projects. An education and training project is defined as a business education and training program for minority group members and minority businesses that have received loans for working capital under this program.

Minority Business Incubator Grants

Purpose. To provide funding to nonprofit corporations and business incubators that benefit minority group members or minority businesses.

Eligible Applicants. Nonprofit corporations that own and operate business incubators and business incubators that provide services primarily to

minority group members or minority businesses.

A nonprofit corporation is a corporation organized under the state nonstick, nonprofit corporation law and exempt from taxation under the federal Internal Revenue Code (IRC).

A business incubator is a facility designed to encourage the growth of new businesses, if at least two of the following apply:

- Space in the facility is rented at a rate lower than the market rate in the community;
- Shared business services are provided in the facility;
- Management and technical assistance are available at the facility; or
- Businesses using the facility may obtain financial capital through a direct relationship with at least one financial institution.

Special Requirements. Commerce may make a grant if the following apply:

- The nonprofit corporation or business incubator submits a plan to the Department detailing the proposed use of the grant;
- The nonprofit corporation or business incubator provides the Department with information on the amount of contributions or pledges of contributions from other sources used to fund the project, if applicable;
- The Secretary of Commerce approves the plan; and
- The nonprofit corporation or business incubator agrees to submit to the Department, within 90 days after spending the full amount of the grant, a report detailing the use of the proceeds of the grant.

Financing. Awards are made as grants. The

maximum grant that can be made to a nonprofit corporation or business incubator is \$100,000 a year. The nonprofit corporation or business incubator must agree to try to ensure that at least 50% of the proceeds of a grant will go to contractors that are minority businesses, if the grant is used to build or rehabilitate the premises of a business incubator. Grant recipients must agree to operate the incubator for at least five years following receipt of the grant. If the operations cease during the five year period, the grant must be repaid according to a schedule related to the period of operation.

Eligible Uses. Grants may be used to build or rehabilitate the premises of the business incubator. Grants cannot be used for salaries or other administrative costs.

Community-Based Economic Development Programs

The Community-Based Economic Development (CBED) program was created in 1989 to provide grants to community-based organizations and business incubators. A program to provide economic diversification planning grants to political subdivisions (counties, villages, towns and cities) was created in 1993. The 1995-97 biennial budget established a grant program for regional economic development activities. The 1997-99 biennial budget created a number of new programs under CBED, including programs that provide funding for revolving loan funds, entrepreneurship training, and venture capital development conferences. Authority to provide funding of \$125,000 to the Women's Business Initiative Corporation was also included. In general, CBED programs provide financial assistance on a local level for the support of small businesses, entrepreneurs, business incubators and community-based organizations. Funds are awarded in an annual competition with pre-applications due in December. Awards are typically made within 90 days of receiving applica-

tions. Commerce is directed to give priority to projects related to brownfields redevelopment.

Funding for the community-based economic development programs is provided through a GPR annual appropriation. In each fiscal year between 1990-91 and 1994-95, provisions were included in budget legislation to permit Commerce to make specific grants to designated organizations. As noted, funding was also provided for the Women's Business Initiative Corporation in the 1997-99 biennial budget. In addition, the 1999-01 biennial budget authorized the Department to make a grant of up to \$100,000 to the City of Menasha for pedestrian enhancements to the city square, and a grant of up to \$25,000 to CAP services for providing technical assistance and management services to small businesses. Table 7 shows appropriation amounts, set-aside amounts and award amounts for community-based economic development programs since 1991-92. Information presented in the table is from Department of Commerce, CBED program history reports.

Commerce is directed to consider the following factors before making awards through community-based economic development programs:

- The level of economic distress in the area, as measured by the unemployment rate; percentage of persons in the area with low to moderate income; the number of persons permanently laid off due to a major business closing; declining property values; and declining population;
- The need and demand for the project;
- The need for state financial assistance;
- The qualifications of the persons who will be managing and operating the project;
- The level of community support, including financial support, for the project;
- The viability of the project;
- The likelihood that the project will result in the creation or retention of jobs;

Table 7: Community-Based Economic Development Appropriations and Amounts Awarded and Encumbered

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Total Appropriation	\$885,600	\$885,600	\$885,600	\$885,600	\$797,100	\$797,100	\$727,100	\$762,100	\$762,100	\$762,100	\$762,100	\$762,100	\$712,100
Funding Set Asides													
Milwaukee Neighborhood													
Ventures	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Northern Wis. Jobs Retention	55,000	55,000	0	0	0	0	0	0	0	0	0	0	0
Women's Business Initiative Corp.	125,000	125,000	80,000	80,000	0	0	0	0	0	0	0	0	0
ESHAC, Inc.	0	100,000	0	0	0	0	0	0	0	0	0	0	0
Lake Superior													
Herring Study Grant	0	0	30,000	0	0	0	0	0	0	0	0	0	0
Total	\$280,000	\$280,000	\$110,000	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants Awarded and Encumbered													
Business Assistance	\$273,800	\$339,100	\$180,000	\$153,600	\$288,700	\$258,000	\$190,500	215,000	206,100	\$65,000	\$60,000	\$202,000	\$137,000
Economic Development													
Project	0	0	66,000	113,800	79,500	122,000	37,600	99,100	65,000	27,500	60,000	53,000	56,500
Economic Diversification	0	0	36,200	73,400	38,000	59,200	142,000	25,000	36,000	89,100	14,500	45,000	9,000
Business Incubator	331,800	266,500	492,800	464,800	310,900	257,900	182,000	215,000	210,000	347,500	344,500	235,100	229,000
Regional Economic Development	0	0	0	0	100,000	100,000	100,000	100,000	25,000	25,000	27,500	100,000	155,600
Revolving Loan Fund	0	0	0	0	0	0	0	0	0	0	38,000	40,000	0
Entrepreneurship	0	0	0	0	0	0	0	33,000	45,000	35,000	40,000	20,000	50,000
Venture Capital													
Development Conference	0	0	0	0	0	0	75,000	75,000	75,000*	60,000	67,500	65,000	75,000
Other	0	0	0	0	0	0	0	0	100,000*	113,000**	110,100**	0	0
Total Grants	\$605,600	\$605,600	\$775,600	\$805,600	\$797,100	\$797,100	\$727,100	\$762,100	\$762,100	\$762,100	\$762,100	\$762,100	\$712,100
Total Grants and Set Asides	\$885,600	\$885,600	\$885,600	\$885,600	\$797,100	\$797,100	\$727,100	\$762,100	\$762,100	\$762,100	\$762,100	\$767,100	\$712,100

*Grant to City of Menasha.
**Grant to Women's Business Initiative Corporation.

- The likelihood the project will result in business development;

- Whether the project is located in a development zone or an enterprise development zone;

- The quality and effectiveness of the performance of the applicant on previous CBED grants; and

- The extent of municipal participation in the design and implementation of the project.

Community-Based Economic Development Programs. There are a number of defined terms that generally apply to all CBED programs including the following.

A community-based organization is an organization that is involved in economic development and helps businesses that are likely to employ persons.

A political subdivision is a county, city, village or town.

A small business is a business that has fewer than 100 full-time employees.

A plan is a document that is adopted by resolution of the governing body of an area or a community-based organization, and which documents inputs from area residents, identifies the economic development needs of the area, sets the goals, objectives and activities that address those needs and identifies the resources needed to implement the activities and attain the goals and objectives.

An extreme financial hardship area is an area that meets any three of the following criteria:

- The unemployment rate is 150% of the state average;

- At least 40% of residents are in households

with household income at or below 80% of applicable median household income;

- The most recent assessed value of real property in the area is less than the assessed value of that property two years before the most recent assessment;

- The area or the project is a development zone;

- At least 5% of the workforce in the municipality were permanently laid off during the previous 18 months; or

- The average unemployment rate during the prior three years was 20% or more.

Applicants that receive awards are required to enter into a contract with the Department to implement the grant. The Secretary of Commerce and the representative of the recipient organization must sign the contract. Contracts can be amended by written consent of both parties. The Department can void a contract and seek return of funds released under the contract for failure by the recipient to perform its obligations under the contract.

Each grant recipient must provide the Department with periodic financial and program reports. A financial audit is required to be submitted at the end of every contract. Grants may be used to fund the costs of required audits. The financial reports, audit and program reports must be submitted by a date specified in the contract.

Features of the community-based economic development programs are described in the next sections.

Local Economic Development Project Grants

Purpose. To enable eligible organizations to conduct a local economic development projects.

Eligible Applicants. Community-based organizations.

Special Requirements. Grant recipients are limited to one grant per year and grant funds may not replace funding from another source. Grant recipients must provide a match of at least 25% of total project costs, except for projects in areas suffering extreme financial hardship.

Financing. Awards are made as grants. The maximum grant amount is the lesser of \$30,000 or 75% of project costs, except in cases where Commerce determines the project is in an area of extreme financial hardship.

Eligible Uses. Grants made to assist a local economic development project may be made for:

- Development of project-specific plans for industrial parks, for downtown business districts, or for public infrastructure projects that focus on water, sewer and/or transportation;
- Implementation of training programs for local economic development professionals; and
- Development or implementation of plans that support local economic development projects.

Business Assistance Grants

Purpose. To provide grants to community-based organizations to provide management assistance to small businesses planning a start-up or expansion project, if the Department determines the business will provide jobs.

Eligible Applicants. Community-based organizations.

Special Requirements. Grant recipients are limited to one grant per year and grant funds may not replace funding from another source. Grant recipients must provide a match of at least 25% of total project costs, except for projects in areas suffering extreme hardship.

Financing. Awards are made as grants. The maximum grant amount is the lesser of \$30,000 or 75% of project costs, unless the Department determines that the project is in an area of extreme hardship.

Eligible Uses. Grants may be used to provide one or more of the following services to small businesses that will create jobs:

- Production of feasibility studies, financial plans, financial projections, or business plans;
- Assistance with preparing loan applications or with reviewing in-house operating procedures; and
- Entrepreneurship and management training.

Economic Diversification Planning Grants

Purpose. To make grants to political subdivisions to allow them to develop economic development or diversification plans.

Eligible Applicants. Community-based organizations or political subdivisions (counties, cities, villages and towns).

Special Requirements. Grant recipients are limited to one grant per year and grant funds may not replace funding from another source. Grant recipients must provide a match of at least 25% of total project costs, except for projects in areas suffering extreme hardship.

Financing. Awards are made as grants. The maximum grant amount is the lesser of \$30,000 or 75% of project costs, unless Commerce determines that the project is in an area of extreme hardship.

Eligible Uses. Grants may be used to develop economic development plans for:

- Diversifying the local or regional economy;

- Attracting new businesses and jobs; or
- Promoting development.

An economic development diversification plan is a plan which has as its goal and objectives the creation or retention of private sector employment or investment in the area to which the plan applies.

Business Incubator Grants

Purpose. To make grants to support business incubators or technology-based incubators.

Eligible Applicants. Community-based organizations that use grant monies to support business incubators or technology-based incubators.

"Business incubator" means a person who operates an organization that is designed to encourage growth of new businesses and that provides at least two of the following services: (1) rental space that is below market rate; (2) shared business services; (3) management and technical assistance; and (4) direct access to capital for member businesses through at least one financial institution.

"Technology-based incubator" means a facility that provides new or expanding technology oriented businesses with all of the following: (1) office and laboratory space; (2) shared clerical and other support service; and (3) managerial and technical assistance.

A technology-based incubator must help tenants forge linkages with higher educational institutions and/or federal laboratories for the purpose of technology transfer.

Special Requirements. Prior to making an award, Commerce must determine that:

- Total amount of grants to a community-based organization will not exceed 50% of the total cost of the project for which the grants are made

(unless Commerce determines that the area demonstrates extreme financial hardship); and

- The organization receiving a grant has provided a written policy for how stable maturing businesses will establish themselves outside of the incubator.

In addition, the Department must consider these factors:

- The potential of the incubator to help start business;
- The potential of the incubator to provide employment opportunities;
- How the unemployment rate in the area in which the incubator is or will be located compares to the state average;
- How the household income levels of residents in the area compare to the applicable median household income;
- How the assessed value of real property in the most recent assessment in the area compares to the assessed value of that property two years before;
- How the percentage of households in the area that are participating in W-2 compares to the statewide percentage of households that are participating in W-2;
- The percentage of members of the workforce in the municipality in which the incubator is or will be located that were permanently laid off by their employer in the preceding 18 months;
- Whether the incubator is or will be located in a development or enterprise development zone; and
- For grants to capitalize revolving loan funds: the need and demand of the tenant for a revolving loan fund; local bank support for and

participation in the revolving loan fund; the availability of local professionals to participate in tenant revolving loan fund activities; and the operating plan for the tenant revolving loan fund.

Financing. Community-based organizations may make grants of the indicated amounts for the following purposes:

Operating incubator	\$30,000 per year
Technical assistance for starting incubators	\$10,000 per year
Start, rehabilitate or expand incubator	\$100,000 per year
Revolving loan fund for tenants	\$50,000 per year

The Department cannot provide a particular incubator more than the following number of grants: (1) incubator operations grants for more than five years; (2) more than two technical assistance grants; (3) more than two start-up or rehabilitation grants; or (4) more than two revolving loan fund grants. A recipient of a revolving loan fund grant may not receive a grant for operating an existing incubator in the same year. The Department may make a technical assistance startup or revolving fund grant only if the applicant agrees to operate the incubator for five years. If the incubator ceases operations during that time, Commerce may require repayment of the award.

Eligible Uses. Commerce can make grants to a community-based organization to fund:

- The operation of an existing incubator;
- Technical assistance in the process of starting an incubator including a feasibility study of the need for and initial design of an incubator;
- Starting, expanding or rehabilitating an incubator; and
- Creation of a revolving loan fund for tenants of an incubator.

Eligible expenditures include salaries, fringe benefits and other personnel, administrative and operating costs of the community-based organization or incubator that are directly related to starting, rehabilitating, or operating an incubator.

Regional Economic Development Grants

Purpose. To make grants to community-based organizations that join with political subdivisions for regional economic development activity.

Eligible Applicants. Community-based organizations that join with counties, cities, villages and towns.

Special Requirements. The Department may make a grant if the following criteria are satisfied:

- The economic development activity is unique to or within the region;
- The economic development activity is consistent with any economic development policy or plan of the political subdivision;
- The economic development activity will likely stimulate investment in the region's economy or create or retain jobs in the region;
- The community-based organization will receive cash or in-kind contributions from private sources and from political subdivisions in the region for the economic development activity and such contributions are documented;
- The applicants submit a plan that describes the economic development activity, how that activity meets required criteria, how the grant will be administered and how the proceeds will be used to support the economic development activity; and
- The Secretary of Commerce approves the plan.

In addition to the criteria that must be met

before awarding grants, Commerce must also consider:

- The prospects for new investment and economic development in the region that may result from the proposed regional development activity;
- The amount of investment likely to result from the economic development activity;
- The likely impact of the economic development activity on the economy of the region;
- The likelihood that one or more businesses will relocate outside the region if the economic development activity does not occur;
- The size of the region affected by the economic development activity;
- The likelihood that the economic development activity will enhance other economic development efforts, complement an existing development zone, development opportunity zone or enterprise development zone project, or build upon other economic development activities in the region; and
- The likelihood that the economic development activity will result in increased spending in the region by persons who reside in the region.

Financing. Grant limits are not specified in statutes or rules.

Eligible Uses. Regional economic development projects that are unique to the area and will stimulate the region's economy or create or retain jobs in the region.

Revolving Loan Fund Grants

Purpose. To provide grants to community-based organizations for local revolving loan funds for

small businesses.

Eligible Applicants. Community-based organizations.

Special Requirements. Commerce is authorized to make a grant to a community-based organization for the capitalization of a revolving loan fund.

Before awarding a grant the Department must consider all of the following:

- The experience of the community-based organization in underwriting and servicing loans;
- The experience of the community-based organization in conducting economic development activities;
- The extent to which the financial and business communities are represented on the loan review board of the community-based organization;
- The effectiveness of the revolving loan fund operating procedures manual of the community-based organization;
- The experience of the community-based organization in working with small business;
- The need for a small business revolving loan fund in the service area of the community-based organization;
- The likelihood the revolving fund loans will be made available to businesses located in a development zone, development opportunity zone, or main street business center; and
- The types of activities for which the revolving loan funds will be used.

Financing. The maximum amount that may be granted to an organization for a local revolving loan fund project is \$50,000 in one year. The applicant must provide a cash match of at least

50% of the total cost of the project. The community-based organization cannot make a revolving fund loan to a business that exceeds 60% of the total project cost.

Eligible Uses. Grants must be used by community-based organizations for creating local revolving loan funds that are used for making loans to small businesses.

Entrepreneurship Training Grants

Purpose. To provide funding to nonprofit organizations for entrepreneurship training for disadvantaged and at-risk children.

Eligible Applicants. Private, nonprofit organizations or private nonprofit foundations, including the National Foundation for Teaching Entrepreneurship to Handicapped and Disadvantaged Youth, that teach business skills to economically disadvantaged or socially at-risk children.

Special Requirements. In awarding grants, Commerce must consider the following:

- The extent to which the applicant partners with educational institutions in designing and implementing the training projects;
- The extent of collaboration with area businesses for financial and operational support;
- The extent to which the training projects provide real-life experiences for youth;
- Placement and follow-up activities; and
- Expertise in working with economically disadvantaged or socially at-risk children.

Financing. The maximum grant is \$30,000.

Eligible Uses. Grant proceeds must be used for costs associated with teaching skills and developing knowledge necessary to start and maintain

business enterprises.

Venture Capital Development Conference

Purpose. To provide funds to community-based organizations or private nonprofit organizations for venture capital development conferences.

Eligible Applicants. Community-based organizations and private, nonprofit organizations.

Special Requirements. Commerce may award grants if the following criteria are met:

- The venture capital development conference will assist entrepreneurs in the state in obtaining capital for the start-up or development of a business;
- The conference is likely to stimulate investment, promote economic development or create or retain jobs in Wisconsin;
- The applicant submits a plan that describes: the proposed activity; how the activity meets required criteria; how the grant will be administered; how the grant proceeds will be used to support the activity; and how the activity will be coordinated with other venture capital development conferences or programs including Commerce conferences and programs; and
- The Secretary of Commerce approves the plan.

The Department is also required to consider the additional following criteria:

- The applicant's access to capital markets;
- The experience of the applicant in linking investors with emerging businesses;
- The experience of the applicant in providing business plan assistance;
- The size of the area in which the project

will be located; and

- The level of ongoing assistance that will be provided to entrepreneurs.

Financing. Awards are made as grants. The Department may not award more than \$75,000 in grants per year. Grant recipients must fund at least 50% of the cost of the conference by providing cash or in-kind contributions.

Eligible Uses. Grants may be used to fund costs associated with conducting venture capital development conferences.

Rural Economic Development Program

The Rural Economic Development Program (RED) was created in the 1989. The program provides grants for professional services, entrepreneurial training, and for dairy farm and other agricultural business start-ups, modernizations, and expansions. The program also provides grants and loans for working capital and fixed asset financing in starting or expanding a business, and to pay certain employee relocation and certain retraining costs. Business employee skills training grants are made through the RED.

A nine-member, Rural Economic Development Board approves the grants and loans. The Board consists of the Secretaries of Commerce and Agriculture, Trade and Consumer Protection (or designees); one Senator and one Representative from each party representing rural districts; and three public members appointed by the Governor for staggered, three-year terms. The gubernatorial appointees are required to have experience in operating a business in a rural municipality, and one member must have experience operating a cooperative in a rural municipality.

Similar to the WDF and MBD programs, loans

and grants are made from both a GPR appropriation, as well as from a program revenue repayment appropriation. The GPR appropriation is the primary source of RED funding. The appropriation is biennial and as a result, funds that are not encumbered at the end of a biennium lapse to the general fund. Table 8, which includes information from Department of Commerce RED program history reports, shows total RED funding and awards for fiscal years 1989-90 through 2004-05. As the table shows, GPR funding for the RED was substantially increased in the 1997-99 biennium to provide additional funding for awards related to the Dairy 2020 program and the dairy and agricultural business grant program created in 1997 Wisconsin Act 27. Since then, base level GPR funding has been reduced.

Table 8: Rural Economic Development Appropriations and Amounts Awarded and Encumbered

	GPR	PR	Total	Awards Encumbered
1989-90	\$30,000	\$0	\$300,000	\$0
1990-91	300,000	0	300,000	498,800
1991-92	300,000	0	300,000	237,900
1992-93	300,000	0	300,000	240,900
1993-94	296,000	39,000	335,000	215,000
1994-95	296,000	48,100	344,100	107,300
1995-96	209,700	131,800	341,000	234,600
1996-97	271,500	79,500	351,000	256,900
1997-98	686,300	162,400	848,700	816,600
1998-99	706,500	70,100	776,600	860,500*
1999-00	656,500	120,100	776,600	355,800*
2000-01	656,500	120,100	776,600	1,153,200*
2001-02	656,500	120,100	776,600	789,100*
2002-03	656,500	120,100	776,600	902,800*
2003-04	368,800	357,800	726,600	580,100
2004-05	606,500	120,100	726,600	N.A.

*Total encumbrances exceed the total amount appropriated because the GPR appropriation is biennial and the repayment appropriation is a continuing program revenue appropriation. As a result, awards in one year of a biennium may exceed the amount appropriated.

N.A. - Not available.

Source: Department of Commerce, RED program history report.

Loan repayments are placed in the program revenue repayments appropriation and used to fund additional RED awards. Table 9 shows program revenue repayment revenues, expenditures, and appropriation authority from 1997-98 through 2003-04. The table indicates that a substantial year-end, unencumbered balance existed in the appropriation at the end of fiscal year 2003-04. This was primarily due to a low level of expenditures and encumbrances for the appropriation from 1991-92 through 1997-98. The increase in expenditure authority in 2003-04 reflects a shift in the proportion of total RED funding provided by the repayments appropriation, in order to use the balance in the appropriation. The total amount of funding appropriated for the RED in 2004-05 is \$606,500 GPR and \$120,000 PR.

RED Programs. General provisions and definitions along with program specific statutory provisions and administrative rules govern administration of the RED program. The following definitions generally apply to RED programs.

A job is a position providing full-time equivalent employment.

A business is a for-profit organization engaged in trade, commerce or industry and includes nonprofit and for-profit cooperatives organized under state law.

A rural municipality is a city, village or town

with a population of 6,000 or less, or a municipality located in a county with a population density of less than 150 persons per square mile.

As a lead agency in the Dairy 2020 initiative, the Department has worked through the Dairy 2020 Council to develop activities that would improve dairy farm profitability and dairy industry competitiveness. Beginning in 1996-97, early planning grants and implementation grants and loans were made to farms and agricultural businesses through the Dairy 2020 program. In 1997-98, working capital and fixed asset financing loans were awarded. The grant program for dairy farm or agricultural business start-ups, modernizations or expansions was also developed through the Department's Dairy 2020 activities. Finally, between 25% and 50% of RED early planning grants and working capital or fixed asset financing grants or loans are required to be awarded for purposes related to agricultural businesses.

Award recipients enter into contracts with Commerce to implement the grant or loan. The Secretary of Commerce and the chief executive officer of the business or its representative must sign the contract. The Department may void a contract and seek return of awards for failure of the business to perform its obligations under the contract. Amendments may be adopted by written consent of both parties. Award recipients also are required to provide the Department with periodic financial and program reports that must be

Table 9: RED Loan Repayment Appropriation -- Annual Revenues, Expenditures, and Expenditure Authority

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Prior Year Unexpended Revenue	\$135,100	\$192,000	\$245,000	\$257,400	\$261,700	\$233,800	\$341,200
Current Year Revenue	<u>59,500</u>	<u>148,400</u>	<u>103,700</u>	<u>84,100</u>	<u>147,800</u>	<u>192,900</u>	<u>298,900</u>
Total Revenue	\$194,600	\$340,400	\$348,700	\$341,500	\$409,500	\$426,700	\$640,100
Expenditures	<u>2,600</u>	<u>95,400</u>	<u>91,300</u>	<u>79,800</u>	<u>175,700</u>	<u>85,500</u>	<u>108,000</u>
Year End Unexpended Revenue	\$192,000	\$245,000	\$257,400	\$261,700	\$233,800	\$341,200	\$532,100
Encumbrances	<u>8,500</u>	<u>107,800</u>	<u>26,800</u>	<u>141,300</u>	<u>41,300</u>	<u>97,100</u>	<u>90,100</u>
Year End Unencumbered Balance	\$183,500	\$137,200	\$230,600	\$120,400	\$192,500	\$244,100	\$442,000
Expenditure Authority	\$162,400	\$70,100	\$120,100	\$120,100	\$120,100	\$120,100	\$357,800

submitted by specified dates. A financial audit and the final program report must be submitted to the Department at the end of the contract. The cost of the audit may be covered by a portion of the award.

Features of the RED programs are described in the next sections.

Grants for Professional Services (Early Planning Grants)

Purpose. To provide funding for professional services related to starting or expanding a business, and for management assistance continuing after the start-up or expansion.

Eligible Applicants. Businesses that meet the following criteria: (1) employ fewer than 50 persons; (2) are located in a rural municipality; and (3) are starting or expanding operations. Commerce has recommended that the Board limit eligibility businesses that fall in the following industry clusters: biotechnology; dairy; food products; information technology; medical devices; paper; plastics; printing; small engine manufacturing; and tourism.

Special Requirements. Before awarding a grant the Rural Economic Development Board is required to consider all of the following:

- The extent to which the start-up or expansion of the business will create new jobs;
- The economic condition of the rural municipality;
- The number of new jobs created by the business in relation to the amount of the grant;
- The number of existing jobs that will be retained by the business if the grant is awarded and the number that would not be retained if the grant is not awarded;
- The degree to which new or expanded operations of the business will provide beneficial

service to the rural municipality where it is located;

- Whether financing is available from other sources; and
- Whether the business would be able to start or expand its operations without a grant.

In addition, the level of financial assistance provided is based on an analysis of:

- The viability of the project;
- The number and nature of jobs created; and
- The project's economic impact on the community.

Financing. Awards are in the form of grants and may not exceed \$15,000. However, most grants are limited to \$3,000 or less. A cash match of at least 25% of the project costs is required. Grants of \$15,000 are awarded if the project has a statewide impact.

Eligible Uses. To fund professional services related to starting or expanding a business, or for management assistance continuing after the start-up or expansion. Professional services which may be funded include: (1) preparation of preliminary feasibility studies, feasibility studies, or business or financial plans; (2) providing a financial package; (3) engineering studies, appraisals, or marketing assistance; and (4) related legal, accounting, or managerial services. Management assistance includes engineering and legal services and professional assistance in establishing or improving management systems, policies or procedures in such management concerns as financial planning, personnel, inventory control, production planning, purchasing, bookkeeping, record keeping and marketing.

Dairy 2020 Early Planning Grant Program

Purpose. To provide financial assistance to stimulate the start-up, modernization, and expan-

sion of Wisconsin dairy farms.

Eligible Applicants. Existing and start-up Wisconsin dairy producers.

Special Requirements. The grant application process includes the following steps:

- Applicants must first talk with the director of the Dairy 2020 program;
- Applicants must complete an application and submit it to Commerce; and
- The project will be underwritten and a funding recommendation is made by an Internal Review Committee.

The amount of grant awarded is based on factors such as the viability of the project, the project's economic impact, and availability of funding.

Financing. Awards are made as grants. Grants can be 75% of eligible project costs up to a maximum of \$3,000. Applicants must provide at least 25% of total project costs from sources other than the state.

Eligible Uses. Grants may be used to cover the cost of having an independent third party provide the professional services necessary to assist in the start-up, modernization, or expansion of a Wisconsin dairy farm. Professional services include preparation of a comprehensive business plan.

Entrepreneurial Training Grants

Purpose. This is a program developed in conjunction with the University of Wisconsin-Extension Small Business Development Center (SBDC) designed to help entrepreneurs by providing financial assistance to cover a portion of the cost of attending SBDC's Entrepreneurial Training Course. Established in 2000.

Eligible Applicants. Wisconsin residents

planning business start-ups or expansions in rural areas.

Special Requirements. The underwriting process uses the following criteria:

- *Work Experience.* At least two years of relevant work experience;
- *Education/Training.* Education and training that are relevant to the proposed business venture;
- *Credit History.* Acceptable credit history; and
- *Available Capital.* Cash reserves necessary to invest in the proposed business.

Other factors that are considered in making awards include:

- *Community Benefit.* A positive economic impact on the local community;
- *Competition.* The potential for a negative impact on other local businesses; and
- *Area Demographics.* The likelihood that the proposed business will be located in a target area.

Financing. Grants can be made for up to 75% of eligible tuition costs. Eligible tuition costs are limited to the tuition charged by the SBDC to attend the Entrepreneurial Training Course, including FastTrac. Grant recipients must provide a cash match of at least 25% of eligible tuition costs.

Eligible Uses. Grants must be used to cover the cost of tuition charged for attending the SBDC's Entrepreneurial Training Course. The goal of the program is that, after completing the coursework, entrepreneurs' will have a comprehensive business plan that fully evaluates the feasibility of the proposed business start-up or expansion. The plan will formalize goals and objectives and assist in attracting private financing necessary to implement the plan.

Loans for Working Capital and Fixed Asset Financing

Purpose. To provide working capital or fixed asset financing for starting or expanding a business in a rural area, or to fund employee relocation costs.

Eligible Applicants. Businesses that meet the following criteria: (1) employ fewer than 50 persons; (2) are located in a rural municipality; (3) are starting or expanding operations.

Special Requirements. To be eligible for funding, the applicant must demonstrate the feasibility of the business and not be able to obtain financing from any other source on reasonably equivalent terms.

A business that receives an award for employee relocation costs must ensure its employees have the option of accepting or declining relocation assistance that is available as a result of the award.

Financing. Awards are provided as grants or loans. The maximum award amount is \$100,000. The amount of an award is based upon an analysis of the following factors: targeted business; targeted location; competition; community benefit; business viability; job creation/retention; employee wages and benefits; and targeted hires. The business is required to contribute matching funds of at least 25% of project costs.

Eligible Uses. Funds can be used for working capital, fixed asset financing, construction and expansion, and purchase of land, buildings, equipment and existing businesses. Awards can also fund costs related to the relocation of employees.

Dairy Farm and Agricultural Business Grant Program

Purpose. To provide funds to improve the profitability and competitiveness of the dairy industry and other related agricultural businesses.

Eligible Applicants. Persons or businesses that are starting, modernizing, or expanding dairy farms or agricultural businesses.

Special Requirements. In order to award grants, the Department must determine that: (1) the applicant persons or businesses own, either currently, or in the future, the dairy farms or agricultural businesses; and (2) the grants are likely to result in the start-up, modernization, or expansion of dairy farms or agricultural businesses.

Financing. Awards are made as grants. The maximum total amount of grants that can be awarded under this subprogram is \$500,000 per year. Grant recipients must provide matching funds of at least 25% of project costs.

Eligible Uses. Grant proceeds can be used to pay for professional services related to the start-up, modernization or expansion of dairy farms or agricultural businesses, or for management assistance continuing after completion of those activities. Professional services includes: (1) preparation of preliminary feasibility studies, feasibility studies, or business and financial plans; (2) providing a financial package; (3) engineering studies, appraisals, or marketing assistance; or (4) related legal, managerial, or accounting services. Management assistance includes engineering and legal services, and professional assistance in establishing or improving management systems, policies or procedures in such management concerns as financial planning, personnel, inventory control, production planning, purchasing, bookkeeping, record keeping and marketing.

Loans to Businesses in Low-Income Areas

Purpose. To provide financial assistance to businesses in rural areas with low household incomes.

Eligible Applicants. Businesses which meet the following criteria:

- The business, together with any affiliate,

subsidiary or parent entity, has fewer than 50 employees;

- The businesses is or will be located in a rural municipality;

- The rural municipality in which the business is or will be located: (1) is in a county that has a median household income lower than the state median household income; or (2) if county median household income is higher than the state median, the rural municipality has median household income that is lower than the county's;

- The business is starting or expanding its operations; and

- The operations of the business do not involve metallic mining activities.

Special Requirements. A business that applies for a loan is required to submit an application package that includes a business plan and any personal and business financial information that the RED Board requires to be able to assess the potential viability of the business. The owner of the business must attend a class that provides instruction in writing a business plan, making a loan application, and managing a start-up business.

Financing. Awards are made as loans. The maximum loan that can be awarded a business is \$50,000. The business must contribute matching funds of at least 25% of the total cost of the project.

Eligible Uses. Loan proceeds may be used for any of the following:

- The purchase or improvement of land;
- The purchase of buildings, furniture, fixtures, machinery, equipment or inventory;
- Job training costs;
- Employee relocation costs; and

- Working capital.

If a business uses a loan for employee relocation costs, the Department must ensure that: (1) an employee of the business has the option of accepting or declining any relocation assistance that is available as a result of the loan; and (2) the compensation and benefit terms offered at the new location are at least as favorable as those offered by the business at its previous location.

Brownfields Grant Program

The Brownfields Grant program was created in the 1997-99 biennial budget to provide financial assistance to individuals, trustees, municipalities, businesses and nonprofit organizations that conduct brownfields redevelopment and related environmental remediation projects. Initially, annual funding of \$5 million was provided for brownfields grants. In 1997-98, grant funds consisted of \$2.3 million GPR and \$2.7 million from the segregated (SEG) environmental fund. In 1998-99, funding of \$5 million SEG was provided. The 1999-01 biennial budget provided a total of \$5.8 million SEG in 1999-00 and \$6.4 million SEG in 2000-01. The current annual funding of \$7 million from the environmental management account of the segregated environmental fund was established in the 2001-03 biennial budget. However, 2003 Wisconsin Act 1 eliminated \$6,250,000 SEG in 2002-03, or all funding for Brownfields grants, except for two statutorily required awards of \$375,000 each to the Milwaukee Economic Development Corporation (MEDC) and Menomonee Valley Partners, Inc. The \$6.25 million SEG funding was transferred to the general fund. As a result, Commerce was unable to make brownfields grants through the competitive awards process in 2002-30.

Under the program, "Brownfields" are defined as abandoned, idle or underused industrial or commercial facilities or sites, the expansion or redevelopment of which is adversely affected by ac-

tual or perceived environmental contamination. A person can be an individual, partnership, corporation, limited liability company (LLC), nonprofit organization, city, village, town, county, or trustee, including a trustee in bankruptcy.

Commerce is required to base awards on the following criteria:

- The potential of the project to promote economic development in the area including: job creation; wages and benefits; impact on economic distress; local and private investment; increase in taxable property; impact on the community; and other similar factors;
- Whether the project will have a positive effect on the environment;
- The amount and quality of the recipient's contribution to the project; and
- The innovativeness of the grant recipient's proposal for remediation and redevelopment including proposed reuse and public or private partnership.

Applications for grants must include:

- The name, address and contact person of the applicant;
- A description of the of the proposed project including: location and duration; brownfields redevelopment and environmental remediation activities; costs; funding sources and matches; implementation schedule; required infrastructure expenditures; and a map;
- Supporting documentation to demonstrate that the party that caused the portion of environmental contamination that is the basis of the grant request is unknown, cannot be located, or is financially unable to pay the cost of the cleanup;
- The project's potential to promote eco-

economic development;

- The environmental condition of the site and the project's impact on the environment;
- The innovativeness of the applicant's proposal;
- A statement and supporting documentation of the financial stability of the applicant;
- An explanation of why state assistance is necessary and related verifying statements;
- A plan for conducting a financial audit of the project and submitting program reports;
- A certified statement that the proposed project will not result in a net loss of permanent employees; and
- Copies of phase 1 and phase 2 environmental assessments.

Grant recipients are required to enter into a contract with Commerce to implement the grant. The Department can void a contract and seek return of grant monies for failure of the grant recipient to perform its obligations under the contract. Grant recipients must submit semi-annual financial and program reports to the Department. A financial audit and final program reports are required at the end of the contract.

In 2003-04, 15 brownfields grants were awarded. Appendix II provides summary information about brownfields grants for 2002-03 and 2003-04.

Brownfields Grants

Purpose. To provide financial assistance to businesses, nonprofit organizations and governmental units for economic development and environmental remediation activities in brownfields.

Eligible Applicants. Individuals, businesses, mu-

nicipalities, nonprofit organizations, and trustees.

Special Requirements. The Department 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 are financially unable to pay the cost of brownfields redevelopment or associated environmental remediation activities. Brownfields grants proceeds cannot be used to pay state DNR or federal EPA liens based on investigation or remediation activities or to pay delinquent property taxes or interest or penalties related to those taxes.

Commerce is required to award at least seven grants for projects that are located in municipalities with a population of less than 30,000.

Financing. A total of \$7.0 million annually is provided for grants. The maximum grant amount is \$1,250,000.

Grant recipients are required to provide cash or in-kind matches equal to a certain percentage of project costs as follows: (1) 20% for grants of \$300,000 or less; (2) 35% for grants between \$300,000 and \$700,000; and (3) 50% for grants between \$700,000 and \$1,250,000.

Eligible Uses. Grants can be used to fund the costs of brownfields redevelopment projects and associated environmental remediation activities. Brownfields redevelopment includes any work or undertaking to: (1) acquire a brownfields facility or site; and (2) to raze, demolish, remove, reconstruct, renovate, or rehabilitate the facility or existing buildings, structures, or other improvements at the site. The redevelopment project must be for promoting 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:

- Investigation, analysis, and monitoring of a brownfields facility or site to determine the existence and extent of actual or potential environmental pollution;
- Abating, removing or containing environmental pollution at a brownfields facility or site; or
- Restoring soil or groundwater at a brownfields facility or site.

Under a provision included in 1999 Wisconsin Act 9, at least \$400,000 in 2000-01 was required to be used for grants for projects evaluated without consideration of the number of jobs that created by the projects.

Act 9 also included provisions that required Commerce to make a grant of \$100,000 under the brownfields grant program, to an applicant for cleanup of a brownfields site in the City of Kenosha and for development of the cleaned-up site as a park if certain conditions were met. This grant was made in April, 2001.

2001 Wisconsin Act 16 included provisions that required Commerce to make a number of brownfields grants for specific projects in different municipalities in the state.

Under the provisions of Act 16, Commerce was required to make brownfields grants of \$375,000 each to the Milwaukee Economic Development Corporation (MEDC) and Menomonee Valley Partners, Inc. in 2001-02 and 2002-03. The grants were required to be used by these entities to fund projects that receive funding based on: (1) the degree of blight and underutilization in the area; (2) the potential for redevelopment; and (3) the project's compatibility with the Menomonee Valley land use plan. The grant proceeds may be used to fund the costs of acquisitions, demolition, environmental assessments, removal of underground storage tanks and abandoned containers, site inves-

tigations, cleanup, monitoring and other costs associated with such activities. A person that receives a grant from MEDC or Menomonee Valley Partners, Inc., that is funded with the Commerce grants must provide matching funds at least equal to the amount of the grant received.

Commerce was required to make brownfields grants to the Cities of Kenosha and Beloit. The Department was required to make a brownfields grant of \$1.0 million for demolition and rehabilitation of the former American Brass Factory in the City of Kenosha. The Department was also required to make a brownfields grant of \$100,000 to the City of Beloit for acquisition and cleanup of the fourth and fifth street rail corridor and adjacent industrial property. For both grants, all of the following applied: (1) the city must submit a plan to Commerce detailing the proposed use of the grant and the Secretary of Commerce must approve the plan; (2) the city is required to enter into a written agreement with Commerce that specifies the conditions for use of grant proceeds, including reporting and auditing requirements; and (3) the city agrees in writing to submit to Commerce, within six weeks after spending the entire amount of the grant, a report detailing how the grant proceeds were used. The Department must also determine that city meets program requirements governing the use of grant proceeds. Commerce could make a grant under these provisions after June 30, 2003. These grants were awarded in April, 2002.

2001 Act 16 also required the Department of Commerce to make a brownfields grant of \$386,600 to the City of Amery for purchase of existing land and structures, demolition, and environmental cleanup related to the Apple River project. The grant could be used to match other federal and state funding for environmental cleanup to the extent public funding could be used for such purposes. The Department was required to enter into an agreement with the City of Amery that specified the uses for the grant proceeds and reporting and auditing requirements. This grant

was made in fiscal year 2001-02.

As noted, under the provisions of 2003 Wisconsin Act 2, all funding for competitive brownfields grants (\$6,250,000 SEG) was deleted and transferred to the general fund. Statutorily required awards of \$375,000 each were provided to MEDC and Menomonee Valley Partners, Inc. As a result, while Commerce received 35 applications for a total of \$18.1 million in grants, no competitive awards were made in 2002-03. However, 2003 Wisconsin Act 33, included a nonstatutory provision that authorized Commerce to review applications received by the Department in October, 2002, rank them using the 2002-03 scoring structure, and make awards to eligible applicants totaling up to \$6,250,000 in funding provided for the program in 2003-04. The Department awarded \$6,250,000 in brownfields grants to entities that had applied for grants in 2002-03.

Gaming Economic Development and Diversification Grant and Loan Programs

The gaming economic development and diversification grant and loan programs were created by the 1999 Wisconsin Act 9 to provide financial assistance to businesses that are located in areas affected by Native American gaming operations. Funding for the programs is provided from tribal gaming program revenues provided to the state under state-tribal gaming compact amendments. Under Act 9, funding was provided through separate biennial PR appropriations for economic development and economic diversification awards. A separate program revenue repayments appropriation was also created. The 2001-03 biennial budget combined the separate PR appropriations into a single PR appropriation to fund all gaming economic development and diversification grants and loans.

Commerce may not make an award to a busi-

Table 10: Gaming Economic Development and Diversification Grants and Loans -- Appropriations and Amounts Awarded

	1999-00	2000-01	2001-02	2002-03	2003-04
Appropriations					
Economic Development	\$3,894,300 ^b	\$2,514,600	\$0	\$0	\$0
Economic Diversification	0	2,500,000	0	0	0
Consolidated Economic Development and Diversification ^a	0	0	2,238,700	3,238,700	2,838,700 ^c
Total Funding	\$3,894,300	\$5,014,600	\$2,238,700	\$3,238,700	\$2,838,700
Awards					
Economic Impact and Diversification					
Early Planning Grants	\$9,000	\$35,400	\$19,000	\$31,400	\$46,300
Economic Impact Loans	0	453,400	32,000	31,000	0
Economic Diversification Grants & Loans	0	1,524,000	409,200	772,500	330,000
Legislature/Other	2,849,800	1,000,000	1,330,000	2,408,600	28,000
Total Awards	\$2,858,800	\$3,012,800	\$1,790,200	\$3,243,500	\$404,300

ness that is tourism-related unless the Department of Tourism concurs in the award. Table 10 shows the amounts appropriated and awarded since fiscal year 1999-00 under the gaming economic development and diversification grant and loan program. Because the program's appropriation is biennial, annual awards may exceed annual expenditure authority.

To be eligible for financial assistance under the programs, the claimant must be an existing business, including a Native American business, that is located or expanding in Wisconsin. "Native American business" is defined as a sole proprietorship, partnership, limited liability company, joint venture or corporation that is at least 51% owned, controlled and actively managed by a member or members of a federally recognized American Indian tribe or band in Wisconsin.

In addition to creating the general gaming grant and loan programs, Act 9 also included a number of provisions that required Commerce to make awards from the gaming economic development and diversification grant and loan programs to specific projects or recipients. All of the required awards were made during the 1999-2001 biennium. The required awards were:

1. Annual grants of up to \$900,000 to the Milwaukee Economic Development Corporation (MEDC) to fund a program for grants to persons

for remediation and economic development projects in the Menomonee Valley. Grant recipients were required provide matching funds equal to 50% of the cost of the project.

2. Grants of up to \$150,000 to the Northwest Regional Planning Commission to match federal or private funds for the purpose of establishing a community-based venture fund. The grants had to equal 50% of the total amount the Northwest Regional Planning Commission receives in the year from private or federal sources.

3. Grants to Brown County of \$500,000 in 1999-00 and \$1,000,000 in 2000-01 from the gaming economic development grant and loan appropriation for economic development.

4. A grant of \$299,800 in 1999-00 to the City of Richland Center from the gaming economic development grant and loan program appropriation to replace the city well because of highway construction.

5. A grant of \$1,000,000 to the Swiss Cultural Center for construction of the center in the Village of New Glarus. The organization was required to provide \$2 in non-state matching funds for every dollar in state funds. Within six months after spending the full amount of the grant, the organization is required to submit to Commerce a report detailing how the grant proceeds were used.

The 2001-03 budget also included provisions which required Commerce to make the specific awards. These were made and are as follows:

1. Grants of up to \$250,000 in 2001-02 and 2002-03 to Chippewa Valley Technical College for a health care education center. In order to make the

grant, the Department was required to enter into an agreement with the Chippewa Valley Technical College that specified uses for the grant proceeds and reporting and auditing requirements.

2. Grants of \$500,000 annually to Oneida Small Business, Inc. and Project 2000 to be used to provide grants and loans to small business. To be eligible for a small business grant or loan, a business was required to be located in a Wisconsin county that contains or is adjacent to any portion of an Oneida reservation. In addition, the business was required to meet any of the following criteria: (a) the business was a start-up business; (b) the business together with any affiliate, subsidiary, or parent entity had fewer than 50 employees; or (c) the business was at least 51% owned, controlled, and actively managed by a member or members of the Oneida tribe.

3. Grants of \$250,000 in each fiscal year of the 2001-03 biennium to the Port Plaza renovation Project in the City of Green Bay. Commerce was required to enter into an agreement with the Port Plaza renovation project that specified the uses for the grant proceeds and reporting and auditing requirements.

4. Grants of \$30,000 and \$120,000 during the 2001-03 biennium to the Potosi Brewery Foundation, Inc. The \$30,000 grant was required to be used to develop a historic structure report and the \$120,000 grant was required to be used for developing a marketing plan, restoration and salvage of the brewery structure, and restoration project fundraising. In order to receive the grants, all of the following were required: (a) Potosi Brewery Foundation submitted a plan to Commerce detailing the proposed use of the grant, the plan was in compliance with the required uses of the grant funds, and the Secretary of Commerce approved the plan; (b) Potosi Brewery Foundation provided matching funds of \$120,000 for the project; (c) Potosi Brewery Foundation entered into written agreement with Commerce that specified the conditions for use of the grant proceeds including reporting and audit-

ing requirements; and (d) Potosi Brewery Foundation agreed in writing to submit to Commerce, within six months of spending the full amount of the grant, a report detailing how the grant proceeds were used.

Commerce awarded a \$28,000 snow emergency loan in 2003-04. In addition, 2003 Wisconsin Act 33 deleted \$400,000 in annual funding from the gaming economic development and diversification grant and loan program. This reduced annual funding for the program from \$3,238,700 PR to \$2,838,700 PR. In addition, Act 33 also required that, annually, \$300,000 be transferred from the gaming economic development and diversification grant program appropriation to the Wisconsin Technical College System (WTCS) and placed in a separate program revenue appropriation to be used to fund work-based learning programs at tribal colleges.

The types of financial assistance provided under the gaming economic development and diversification grant and loan programs are described in the following sections.

Economic Impact Early Planning Grant Program

Purpose. To provide funding for professional services necessary to evaluate the feasibility of a proposed project for modernizing or improving a business that has been impacted by gaming.

Eligible Applicants. Business located in Wisconsin that can demonstrate they have been negatively impacted by gaming.

Special Requirements. In making an award the Department must consider the following factors:

- The viability of the proposed project;
- The number of jobs created or retained; wages and benefits;
- The extent to which the business

modernization or improvement has been negatively impacted by gaming; and

- The likelihood that the project will have a positive effect on the community.

Financing. Awards are made as grants and the maximum grant is 75% of project costs up to \$3,000. Applicants are required to provide a cash match of at least 25% of the eligible project costs.

Eligible Uses. Business planning grants are limited to funding the costs of obtaining comprehensive business plans from qualified independent third parties.

Eligible uses of early planning grants are restricted to business planning activities. Project costs not eligible for early planning grant funding include: costs of applying for the grant; legal costs associated with establishing or incorporating the business; architectural, engineering and design costs; business valuation and/or appraisal fees; loan application and origination fees; plan implementation fees; website development costs; and software purchases, installation and training.

Economic Impact Loan Program

Purpose. To provide financial assistance to businesses that have been negatively impacted by gaming.

Eligible Applicants. Wisconsin businesses that demonstrate they have been negatively impacted by Native American gaming and that have a comprehensive business plan that fully describes the proposed project.

Special Requirements. The Department may not make a loan unless it determines the following:

- The business has been negatively impacted by the existence of a casino; and
- The business has a legitimate need for the award to improve the profitability of the business.

Businesses must have a comprehensive business plan that includes the following:

- Background information on the company;
- A description of the project;
- A detailed project budget;
- Both existing and projected (three years) wage levels;
- A project timeline;
- A balance sheet, profit and loss, and cashflow statements for the last three years. (Tax returns are acceptable.); and
- Three years of financial projection with notes covering all significant assumptions.

Financing. Awards are provided as loans. The maximum award is 75% of project costs up to \$100,000. Applicants must provide matching funds of at least 25% of project costs. Commerce can waive the match requirement in cases of extreme hardship.

Commerce bases the amount of any award on the following factors:

- The applicants' experience and the availability of capital necessary to successfully complete the proposed project.
- The number of jobs that will be created and retained.
- The extent to which the business has been impacted by gaming.
- A positive economic impact upon the local community.

Eligible Uses. To provide funding for fixed asset financing related to modernizing and improving business operations. Eligible project costs include

expenditures associated with land, new construction, remodeling, furniture and fixtures, and equipment. Refinancing is not an eligible project cost.

Economic Diversification Early Planning Grant Program

Purpose. To provide funding for professional services necessary to evaluate a project that involves establishing or expanding a business to diversify the local economy. This program is essentially the same as the Economic Impact Early Planning Grant program, except that the plans must be for projects which meet the economic diversification criteria.

Eligible Applicants. Existing or start-up businesses that would reduce the local community's dependence on gaming.

Special Requirements. Commerce considers the following factors in making awards:

- The viability of the proposed project;
- The number of jobs created or retained;
- The extent to which the new business or business expansion will diversify the local economy; and
- The likelihood that the project will have a positive effect on the community.

Financing. Grants are limited to 75% of project costs up to a maximum of \$3,000. A match of 25% of project costs must be provided.

Eligible Uses. Grants must be used fund the costs of obtaining comprehensive business plans from independent third parties.

Eligible uses of early planning grants are restricted to business planning activities. Project costs not eligible for early planning grant funding include: costs of applying for the grant; legal costs associated with establishing or incorporating the

business; architectural, engineering and design costs; business valuation and/or appraisal fees; loan application and origination fees; plan implementation fees; website development costs; and software purchases, installation and training.

Economic Diversification Grant and Loan Program

Purpose. To provide financial assistance to businesses that are starting up or expanding to help diversify a community's economy so that it is less dependent upon revenue derived from gaming.

Eligible Applicants. State businesses that have a comprehensive business plan that fully describes the proposed business project.

Special Requirements. Commerce must determine that the project will diversify a community's economy such that it is less dependent upon the revenue derived from gaming.

Businesses must have a comprehensive business plan that includes the following:

- Background information on the company
- A description of the project
- A detailed project budget
- Both existing and projected (3 years) wage levels
- A project timeline
- A balance sheet, profit and loss, and cashflow statements for the last three years. (Tax returns are acceptable.)
- Three years of financial projection with notes covering all significant assumptions.

Financing. Awards are made as loans of up to 75% of project costs. Award recipients must pro-

vide matching funds of at least 25% of project cost. In determining the amount of an award the Department must consider:

- The applicant's experience and availability of capital to ensure the project's success;
- A project's potential to retain or increase the number of jobs;
- A project's potential to provide for significant capital investment; and
- A project's contribution to the economy of the community.

Eligible Uses. To provide fixed asset financing for businesses to establish and expand operations. Awards can be used to finance the cost of land, new construction, remodeling, furniture, fixtures, and equipment. Refinancing is not an eligible project cost.

Business Employees' Skills Training Grant Program

The Business Employees' Skills Training (BEST) grant program was created by 1999 Wisconsin Act 177 to provide grants to certain small businesses to assist employees or prospective employees in acquiring work skills sought by the businesses. For Commerce to award a grant the following must apply:

- The business must have paid state sales taxes for at least six months prior to applying for the grant;
- The business agrees in writing to use the grant only to provide skills training or other education that is related to the needs of the business to current or prospective employees.

- The business submits a plan to the Department detailing the proposed use of the grant, and the Secretary of Commerce approves the plan;

- The business enters into a written agreement with the Department that specifies the conditions for the use of the grant, including reporting and auditing requirements; and

- The business agrees in writing to submit to Commerce, six months after spending the full amount of the grant, a report detailing how the grant proceeds were used.

No single funding source is specified for BEST grants. Commerce makes BEST grants from the WDF, RED, or MBD programs, depending on the type of applicant and project. The total amount of BEST awards made through these programs was \$371,100 in 2000-01, \$68,900 in 2001-02, \$69,600 in 2002-03, and \$129,600 in 2003-04.

Business Employees' Skills Training Grants

Purpose. To provide funds to small businesses to assist them in upgrading the skills of their workforce.

Eligible Applicants. Businesses located in Wisconsin with: (1) no more than 25 full-time employees; or (2) no more than \$2.5 million in gross annual income in the prior year.

In addition, the business must be in one of the following industrial clusters; automation; agriculture/food products; biotechnology; information technology; manufacturing; medical devices; paper/forest products; printing; tourism; or childcare (not including in-home care).

Special Requirements. Funds are awarded on a competitive basis, determined by an analysis of the following factors:

- Whether the business is in an Industrial Cluster;

- The wage level and benefit package provided to the employee being trained in relation to the cost of the training;

- The impact the training will have on the applicant's business operations;

- Viability of the applicant;

- Qualifications of the trainer;

- Whether the business is located in a development zone; and

- Availability of funds and previous awards made to the applicant.

Financing. The maximum grant available is 75% of project costs up to \$1,000 per full-time employee that is trained. Grant recipients must provide a cash match of 25% of project costs. Statutorily, a business cannot receive more than \$10,000 in BEST grants; however, in practice, total grants to a business are limited to \$5,000. The maximum total amount of grants that can be awarded is \$500,000 annually.

Grants cannot be used to pay more than 80% of the cost of any skills training or other education that is provided to the owner of the business, the owner's spouse, or a child of the owner.

Eligible Uses. Grants must be used to pay tuition costs for courses that are directly related to the employee's work requirements. All training must be provided by a qualified independent third party that is acceptable to Commerce. Grants cannot be used to fund costs incurred to train part-time or seasonal employees or costs incurred prior to the Department's formal funding decision.

Technology Commercialization Grant and Loan Program

The technology commercialization grant and loan program was created by 2003 Wisconsin Act 255 to provide financial assistance to entrepreneurs. (The Act also created the angel investment tax credit and early stage seed investment credit.) The program provides the following types of financial assistance: (1) early stage planning grants and loans; (2) matching grants and loans; (3) bridge grants and loans; (4) venture capital grants and loans; (5) entrepreneurial and technology transfer center grants. Funding of \$2.6 million GPR is provided in 2004-05.

Similar to other Commerce grant and loan programs, the technology commercialization grant and loan program is funded through both a GPR and program revenue repayments appropriation. The GPR appropriation is biennial, and funds that are not encumbered at the end of the biennium lapse to the general fund. Loan repayments are placed in the program revenue continuing appropriation, to be used to fund technology commercialization awards.

In determining whether to make a grant or loan and the amount of the grant or loan, Commerce is required to consider the following:

- The amount of economic impact the applicant, if successful, will have in the state;

- The quality of any business assisting the applicant;

- The level of need demonstrated by the applicant;

- The applicant's record of obtaining early stage financing, including federal funds;

- The viability of the applicant's business;

- The likelihood that the applicant will successfully commercialize technology;
- The applicant's management plan and management team;
- The applicant is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, professional services provided by physicians or healthcare consultants, wholesale or retail trade, leisure, hospitality, transportation, or construction; and
- Other information the Department considers relevant.

Technology Commercialization Grant and Loan Programs. General provisions and definitions and program specific statutory provisions and administrative rules govern each of the different technology commercialization grant and loan programs.

An applicant is an individual; "individual" means a person or small business. A small business is a business having less than 100 full-time equivalent employees. Project costs are costs that, in accordance with sound business and financial practices, are appropriate if incurred in connection with a project as determined by Commerce.

Professional services include, but are not limited to, costs incurred by a qualified independent third party for feasibility studies, engineering studies, market research, patent protection, and related legal, accounting and managerial services and other activities determined eligible by the Department.

Each successful applicant is required to enter into a contract with the Department to implement the proposed grant or loan. Each contract must be signed by Commerce and the person authorized by the applicant to enter into a contract. The Department is authorized to void a contract and seek return of any funds released under the contract for failure of the recipient to perform its obligations

under the contract.

Contract recipients are required to provide Commerce with periodic financial and program reports. A financial audit must also be submitted.

Commerce is required to develop a biennial plan for awarding grants and loans under the program no later than December 1 of each even-numbered year. The plan must be submitted to the Governor and Chief Clerk of each house of the Legislature.

Early Stage Planning Grants and Loans

Purpose. To provide financial assistance to entrepreneurs and to start-up and early stage businesses to fund professional services related to obtaining early stage funding.

Eligible Applicants. To be eligible, applicants must be: (1) a small business, or individual entrepreneur who intends to form a small business, that is completing a grant application to be submitted to the federal government for the purpose of obtaining early stage research and development funding; or (2) an individual who is starting or developing a business that has significant growth potential, as evidenced by the potential to attract and receive early stage financing from third parties, but who needs assistance with a specific facet of starting or developing the business.

Special Requirements. Commerce may make an award only if all of the following apply:

- The applicant has or will have a business location in the state;
- If the application relates to a product, the product will be manufactured substantially in this state;
- If the application relates to a service the principal place from which the service will be sold will be located in the state; and

- All grant moneys will be spent in this state.

Financing. The maximum grant or loan amount is \$15,000. Award recipients must provide funding of at least 25% of project costs from nonstate sources. Commerce can contract directly with and pay grant proceeds directly to any person providing technical or management assistance to grant recipients.

Eligible Uses. Grant or loan proceeds may be used for the following activities: (1) funding professional services related to completing an application to be submitted to the federal government for the purpose of obtaining early state research and development funding, and (2) funding professional services that are required to accomplish specific tasks established as a condition of receiving early stage financing from third parties that is necessary for business development.

Matching Grants and Loans

Purpose. To provide funding to individuals, entrepreneurs, and small businesses for professional services related to developing or the accelerated commercialization of a technologically innovative product, process, or service.

Eligible Applicants. Eligible applicants are: (1) a small business, or an individual entrepreneur who intends to form a small business; or (2) an individual who is starting or developing a business which has significant growth potential, as evidenced by the potential to attract and receive early stage financing from third parties, but who needs assistance with a specific facet of starting or developing the business.

Special Requirements. Commerce may make a grant or loan only if all of the following apply:

- The applicant has or will have a business location in the state;

- If the application relates to a product, the product will be manufactured substantially in the state;

- If the application relates to a service, the principal place of business from which the service would be sold will be located in the state; and

- All grant moneys will be spent in the state.

Financing. The maximum award is the lesser of 20% of the project costs or \$250,000. Award recipients must finance at least 80% of project costs from nonstate sources. The Department is authorized to contract with, and pay the proceeds of a matching grant directly to, any person who provides the services which the grant is intended to fund.

Eligible Uses. Grants or loans can be used to fund the following activities: (1) professional services related to developing a proposed technologically innovative product, process, or service, if the applicant has received a grant from the federal government for a substantially similar purpose; or (2) professional services related to the accelerated commercialization of a technologically innovative product, process, or service, if the federal government has notified the applicant that the applicant will receive a grant from the federal government for a substantially similar purpose.

Bridge Grants and Loans

Purpose. To provide financial assistance to individuals, entrepreneurs and small businesses to cover expenses between early-stage and later-stage financing.

Eligible Applicants. To be eligible, the applicant must be: (1) a small business, or individual entrepreneur who intends to form a small business, that is completing a grant application to be submitted to the federal government for the purpose of obtaining early stage research and development funding; or (2) an individual who is starting or developing a business which has significant growth

potential, as evidenced by the potential to attract and receive early stage financing from third parties, but who needs assistance with a specific facet of starting or developing the business.

Special Requirements. Commerce may make a grant or loan only if all of the following apply:

- The applicant will have a business location in the state;
- If the application relates to a product, the product will be manufactured substantially in this state;
- If the application relates to a service the principal place of business from which the service will be sold will be located in the state; and
- All grant moneys will be spent in the state.

Financing. A bridge grant or loan may not exceed the lesser of 75% of project costs or \$100,000. Applicants are required to provide funding from nonstate sources to finance at least 25% of project costs. Commerce is authorized to contract with, and pay the proceeds of a bridge grant directly to, any person who provides services that the grant is intended to fund.

Eligible Uses. The Department may make a bridge grant or loan to a person who has received early stage financing from third parties or a grant from the federal government to fund early stage research and development, and who has sought additional early stage financing from third parties or applied for an additional grant from the federal government to fund early stage research and development. Commerce may also make a bridge grant or loan for the purpose of funding professional services necessary to maintain the project research and management team, and funding basic operations until the applicant's additional third party financing request or federal grant application is approved or denied.

Venture Capital Grants and Loans

Purpose. To provide financial assistance to individuals, entrepreneurs, and small businesses for early stage financing.

Eligible Applicants. To be eligible an applicant must be: (1) a small business or individual entrepreneur who intends to form a small business that is completing a grant application to be submitted to the federal government for the purpose of obtaining early stage research and development funding; or (2) an individual who is starting or developing a business which has significant growth potential, as evidenced by the potential to attract and receive early stage financing from third parties, but who needs assistance with a specific facet of starting or developing the business.

Special Requirements. Commerce may make a grant or loan only if all of the following apply:

- The applicant has or will have a business location in the state;
- If the application relates to a product, the product will be manufactured substantially in this state;
- If the application relates to a service, the principal place of business from which the service will be sold will be located in the state; and
- All grant moneys will be spent in the state.

Financing. The maximum venture capital grant is the lesser of \$250,000 or 50% of project costs. Applicants must provide nonstate funding of at least 50% of project costs. The Department is authorized to contract with, and pay the proceeds of a venture capital grant directly to, any person who provides services that the grant is intended to fund.

Eligible Uses. Venture capital grants or loans

may be made to provide funding that enhances the applicant's ability to obtain early stage financing from third parties.

Entrepreneurial and Technology Transfer Center Grants

Purpose. To provide financial assistance to support an entrepreneurial and technology transfer center.

Eligible Applicants. Organizations, companies, or consortia that support entrepreneurs through an entrepreneurial and technology transfer center. To be eligible, an entrepreneurial and technology transfer center must satisfy all of the following criteria:

- The center serves multiple regions of the state;
- The center provides assistance, other than financial assistance, to entrepreneurs to facilitate business development;
- The center reviews and analyzes entrepreneurial business plans and offers advice concerning the improvement of the plans;
- The center provides advice to entrepreneurs concerning patent, trademark, and copyright issues; and
- The center provides appropriate referral services to entrepreneurs.

Special Requirements. In September, 2004, Commerce issued a "request for proposals" (RFP) from interested entities to develop an Entrepreneurial and Technology Transfer Center. The center would assist entrepreneurs in their varied stages of business by providing tools for survival and growth. The center would provide, directly or by referrals, statewide access to specialized business development services needed to take new ideas and technologies from concept to market.

RFP submissions are required to include:

- General project information including the fiscal agent, proposed Center locations, overview of services, and lead organization, if applicable;
- Narrative information related to partners, types of entrepreneurs served, applicant's experience in providing services, previous projects, measures of services, and successful outcomes in interaction with related state programs, and uniqueness of the organization;
- Roles and responsibilities of those involved in the Center;
- An implementation plan and timeline;
- A budget; and
- Letters of support from individuals and organizations directly involved in the Center's day-to-day activities.

The primary clients of an entrepreneurial and technology transfer center should include:

- High technology businesses;
- Gazelle/Growth Businesses - new and rapidly growing businesses;
- Life style businesses - assist new and aspiring entrepreneurs;
- Manufacturing businesses; and
- Inventors.

Financing. Under statutory provisions, the total amount of grants that may be awarded cannot exceed \$500,000 in a fiscal year. However, in the RFP for an entrepreneurial and technology transfer center, Commerce indicates that it would provide up to \$1 million to the center.

Eligible Uses. Grants may be used to fund center administrative costs and costs related to providing services including business planning, counseling, education, and technical assistance. Core center services should involve assessing client needs and capabilities, and determining follow-up activities. Other services may include evaluating business opportunity, coordinating the delivery of services, validating the commercial potential of the venture, which includes the technical, market, and business elements contained within the business plan, and assisting with intellectual property and patent, trademark, and copyright issues.

High-Technology Business Development Corporation

The high-technology business development corporation program was created by 1999 Wisconsin Act 106. Commerce is required to organize and assist in maintaining a high-technology business development corporation as a nonstock, nonprofit corporation under Wisconsin law for the exclusive purpose of promoting and supporting the creation, development, and retention of science-based and technology-based businesses in the state.

A board of directors consisting of the Secretary of Commerce, or a designee, the President of the University of Wisconsin System, or a designee, the director of the Wisconsin Technical College System (WTCS) Board or a designee, the president of the Wisconsin Association of Independent Colleges and Universities or a designee, and at least eleven other members governs the high-technology development corporation. Of the eleven other members, one or more must represent the following categories: (1) entrepreneurs in the state; (2) high-technology businesses in the state; (3) the state's venture capital industry; (4) the state's investment banking industry; (5) local governments in the state; (6) the state's business development commu-

nity; and (7) professionals that provide services to these categories. The board members are appointed by the Governor or Legislative leadership and serve five-year terms. The high-technology business development corporation is required to specify in its bylaws the method of electing new board members and filling vacancies.

Assets transferred to, and the assets and liabilities of the high-technology business development corporation are separate from all other assets and liabilities of the state, of all political subdivisions of the state, and of the Department of Commerce. The state, any political subdivision of the state and the Department do not guarantee any obligation of or do not have any obligation to the high-technology business development corporation. In addition, the state, any political subdivision of the state and the Department are not liable for any debt or liability of the high-technology business development corporation.

In November, 2000, the Governor first appointed members to the Wisconsin Technology and Entrepreneur's Council which was created to promote development of science- and technology-based businesses in Wisconsin. The Council was formed as a nonprofit corporation and the Council's board of directors approved the formation of the non-profit Wisconsin Technology Council in January, 2001. Commerce awarded the Council a grant of \$50,000 to fund start-up and administrative costs. The Wisconsin Technology Council is an independent, nonprofit, tax-exempt corporation which serves as the leading policy adviser and catalyst for creation, development, and retention of science- and technology-based businesses in Wisconsin.

The Technology Council has three main functions: (1) provide policy guidance to lawmakers, the governor, state agencies, and other state institutions through activities, and reports and white papers; (2) serve as an economic catalyst through programs such as the Wisconsin Life Sciences and Venture Conference, the Wisconsin Entrepreneurs Conference, and the Governor's Business Plan Con-

ference; and (3) serve an in-state networking role through the Wisconsin Innovation Network (WIN) and other affiliates, such as the Wisconsin Biotechnology Association, Accelerate Madison, and innovate; and (4) provide out-of-state networking through the I-Q Corridor and national events such as the international BIO conference.

The Council partners with the Wisconsin Innovation Network (WIN) the Council's membership subsidiary. WIN is a community-based economic development organization that fosters innovation and entrepreneurship. The annual Wisconsin Life Sciences and venture conference provides an opportunity for selected Wisconsin and upper mid-west companies to make presentations and meet with investors.

The Wisconsin Technology Council is staffed by an executive director and is funded by annual high-technology business development corporation grants from Commerce and by matching contributions from the private sector.

High-Technology Business Development Corporation Grants

Purpose: To provide financial and technical assistance to high-technology business through the Wisconsin Technology Council.

Eligible Applicant: The high-technology business development corporation (Wisconsin Technology Council).

Special Requirements: Commerce is authorized to make grants to the high-technology business development corporation if all of the following apply:

- The corporation submits an expenditure plan to the Department detailing the proposed use of the grant proceeds and the Secretary of Commerce approves the plan;
- The corporation enters into a written

agreement with the Department that specifies the conditions for the use of grant proceeds, including reporting and auditing requirements;

- The corporation provides matching funds equal to 50% of the grant proceeds;
- The corporation provides Commerce with any information requested concerning private funding the corporation has received or will receive for the purposes detailed in the expenditure plan; and
- The corporation agrees in writing to submit to the Department, within six months after spending the full amount of the grant, a report detailing how the grant proceeds were used.

Financing: Annual base level funding of \$250,000 is provided for grants to the high-technology business development corporation. Commerce was required to make a one-time grant of \$50,000 in 2000-01 to fund the start-up and reasonable administrative expenses. Commerce can make grants of \$250,000 annually.

Eligible Uses: The high-technology business development corporation is required to establish and implement programs that are focused on key elements necessary for the success of high-technology firms, including entrepreneurs, businesses, professional services, seed and venture capital, universities, and state government.

Manufacturing Extension Center Grants

Manufacturing extension grants provide financial assistance to technology-based nonprofit organizations. Historically, funding has been provided to the Wisconsin Manufacturing Extension Partnership (WMEP). Beginning in 2003-04, funding was also provided to the Northwest Wisconsin Manufacturing Outreach Center (NWMOC). An-

nual funding of \$850,000 GPR is provided for manufacturing extension center grants.

WMEP is operated by an organization, the Wisconsin Center for Manufacturing and Productivity, Inc., that includes the Department of Commerce, University of Wisconsin System and Extension, Wisconsin Technical College System (WTCS), Marquette University, Milwaukee School of Engineering, labor, and business. WMEP provides process improvement and technology transfer services to small and medium-sized manufacturers. WMEP personnel work directly with the manufacturers to address their needs in areas such as production techniques, technology applications, business practices, and specialized training. Solutions are offered through a combination of direct assistance from staff and work with outside resources. WMEP is part of a nationwide system of manufacturing extension partnerships that receive federal funding from the National Institute of Standards and Technology (NIST).

NWMOC is a direct partnership between the University of Wisconsin-Stout and five technical colleges: Chippewa Valley; Western Wisconsin; Wisconsin Indianhead; Nicolet Area; and North-central. NWMOC delivers an integrated manufacturing modernization service to small and medium-sized manufacturers in Northwest Wisconsin. Services provided by NWMOC include: free on-site assessments; on-site technical assistance; networking; technical training; seminars; and lean manufacturing.

Commerce has provided financial assistance to WMEP in a number of ways, usually through the Wisconsin Development Fund (WDF). Under a provision of 1993 Wisconsin Act 232, the WDF, GPR appropriation was changed from a biennial to a continuing appropriation for 1993-94. This change allowed the Department to fund new projects with WDF monies that were previously encumbered but no longer necessary to fund the projects for which they were awarded. Act 232 also created a manufacturing extension grant program for that year. The Department was able to provide

WMEP a manufacturing extension grant of \$1.575 million.

1997 Wisconsin Act 237 created the manufacturing assistance program under the WDF that included the manufacturing assessment, customized supplier training, and technology transfer subprograms. The total amount of grants that could be awarded through all three subprogram could not exceed \$750,000 in a biennium. The manufacturing assistance subprograms were designed, in part, to provide state funding to WMEP.

The manufacturing assistance programs and subprograms were eliminated in 1999 Wisconsin Act 9 and replaced by a manufacturing extension grant program. Annual expenditure authority of \$1,000,000 was provided under the WDF program revenue repayments appropriation. However, Commerce was prohibited from encumbering any funds for manufacturing extension center grants after June 30, 2001.

The 2001-03 biennial budget created a separate program revenue appropriation and provided \$500,000 annually in tribal gaming revenue to fund the manufacturing extension grant program. As a result, the primary source of funding for the program would no longer be the WDF. However, the bill also included a provision that required Commerce to make a grant of \$500,000 in 2001-02 and 2002-03 from the WDF program revenue repayments appropriation to a technology-based nonprofit organization to provide support for a manufacturing extension center.

The 2003-05 biennial budget eliminated tribal gaming revenues as a source of funding for the manufacturing extension grant program and, instead, provided \$100,000 GPR annually in a separate appropriation for the program. Finally, 2003 Wisconsin Act 256 increased annual funding for the program by \$750,000, to a total of \$850,000 GPR annually. The bill also included a provision that authorizes Commerce to award up to \$1,500,000 in grants in a fiscal year.

Manufacturing Extension Center Grants

Purpose. To provide financial assistance to the Wisconsin Manufacturing Extension Partnership (WMEP) Northwest Wisconsin Manufacturing Outreach Center (NWMOC) to support their business services.

Eligible Applicants. Technology-based nonprofit organizations. A technology-based nonprofit organization is defined as a nonprofit corporation or organization under state or federal law that is exempt from the federal income tax and that has a mission the transfer of technology to businesses in the state. Technology includes biotechnology which means technology-related to life sciences.

Grants under this provision will be made to provide financial assistance to WMEP and NWMOC.

Special Requirements. In order to obtain a manufacturing extension center grant, the technology-based nonprofit organization is required to submit a plan to Commerce that details its proposed expenditures and performance measures related to the project and the Secretary of Commerce must approve the plan.

Financing. Annual funding \$850,000 is provided for 2003-04 and 2004-05. Beginning with fiscal year 2004-05 the Department is authorized to award \$1,500,000 in grants.

Eligible Uses. Grants can be used to provide financial support to the programs and operations of technology-based nonprofit organizations (WMEP, NWMOC).

Forestry Education Grant Program

The Forestry Education Grant program was created by the 1997-99 biennial budget to provide

grants to nonprofit organizations for forestry education programs conducted in conjunction with the University of Wisconsin-Stevens Point, College of Natural Resources, Timber Management Program. Annual funding of \$100,000 SEG from the forestry account of the conservation fund was provided in a continuing appropriation from 1997-98 through 2002-03.

The Governor partially vetoed 2003 Wisconsin Act 33 to delete all funding for the forestry education grant program. In his veto message, the Governor requested the Secretary of Administration not to allot the funding. As a result, beginning in 2003-04 no funding is provided for the forestry education grant program. However since the grant program appropriation is a continuing appropriation, the unexpended balance in the appropriation can be used to make grants. The 2003-04 unexpended year-end balance in the appropriation was \$203,430. The Department can continue to make forestry education grants with this funding.

The goals of the forestry education program are:

- To develop a comprehensive matrix that identifies a wide a variety of forestry education resources that are available to teachers throughout Wisconsin;
- To establish resources to design programs that will allow Wisconsin public school teachers access to educational materials to implement forestry education and its impact on Wisconsin public school children (kindergarten through the 12th grade). The developed program, and materials should lead to a better understanding of the significance of forestry in the state's economy.
- The resources developed as a result of the program will aggregately make educational materials available to the entire spectrum (kindergarten through the 12th grade) of Wisconsin public school children.

The Department and UW Stevens Point College of Natural Resources evaluate applications for awards. The Department may not award a grant unless it enters into a memorandum of understanding with the grant recipient and the director of the Timber Management program at UW Stevens Point College of Natural Resources regarding the use of the funds.

In making a grant, the following criteria are considered:

- The scientific and educational merit of the project;
- The experience of the project team;
- The reasonableness of the budget;
- The reasonableness of the timeline to implement (one year to complete and available to distribute within 18 months);
- The proposed plan for sharing and disseminating the information, across the state;
- The ease of transferability (For example, physical improvements to a school forest are not easily transferable. However, a program designed to produce a model plan to improve school forests would be easily transferable).

The total amount of forestry education grants awarded was \$188,000 in 1998-99, \$100,000 in 2000-01, \$35,000 in 2001-02 and \$99,000 in 2002-03. Because the grant appropriation is continuing, unused funds carryover to the next fiscal year.

Forestry Education Grants

Purpose. To stimulate development of forestry-related educational services and products targeted towards Wisconsin school children and to supplement the state's standard K-12 curriculum with forestry-related educational materials and information.

Eligible Applicants. Nonprofit organizations as defined under state or federal law.

Special Requirements. Applications for forestry education grants must include:

- The name and address of the organization involved in the project;
- A listing of the president or chief executive officer and other key management personnel;
- Legal information about involvement in lawsuits, bankruptcy or solvency proceedings and the existence of outstanding tax liens;
- Narrative documentation including: (1) a description of the project and how the proposed forestry education materials will benefit K-12 education; and (2) background information on the organization that contains a brief history, description of the organization's purpose, and a discussion of the organization's key management personnel;
- Financial documentation including: (1) three years of historical financial statements (excepting school districts); and (2) verification that the organization is non-profit;
- Project documentation to enable the Department to underwrite the grant application including: (1) a detailed budget that fully describes all sources of funding associated with the total project; and (2) a detailed timeline projecting stages of the project, when the project will be completed and when the finished product will be available for distribution (a reasonable timeline is generally 12 to 18 months);
- Other supporting documentation related to the accuracy of information submitted, affirmative action and the taxpayer identification number.

Grant recipients are required to enter into a contract through the memorandum of understanding with Commerce and UW Stevens Point. The

contract must include certain specific provisions including timetables, budgets, a schedule for periodic reports, and a procedure for the Department and University to approve the technical accuracy of educational materials and programs.

Financing. Awards are made in the form of grants. The maximum grant is the lesser of 75% of project costs or \$100,000, annually. Generally, the minimum grant amount is \$20,000. Award recipients must provide a match of at least 25% of project cost. The match can be cash or an in-kind contribution.

Eligible Uses. Grants can be used to fund costs associated with the following activities:

- Broad based projects that are designed to educate all age groups;
- Stand alone projects that are targeted to a specific age group;
- Projects that are targeted to a specific age group that are part of a series of interrelated programs that build upon the skills learned with earlier programs and are directly linked to future programs; and
- Marketing and dissemination of currently available forestry education materials and programs.

Grant funds cannot be used to pay salary and benefit costs, general overhead, and physical improvements to a specific project.

**Development Zones, Enterprise
Development Zones, Development
Opportunity Zones, Technology Zones,
Agricultural Development Zone**

Wisconsin has five programs that provide tax

credits to business as incentives to expand or locate operations, increase employees, or increase investment in different areas of the state. These programs include: (1) Development Zones; (2) Enterprise Development Zones; (3) Development Opportunity Zones; (4) Technology Zones; and (5) an Agricultural Development Zone. Commerce is generally responsible for administering these programs. The Department reviews and approves applications and plans (where necessary), designates zones, allocates and certifies tax credits and provides technical assistance to municipalities and businesses that participate in the programs. The Department of Revenue administers tax credit claims.

Development Zones

The Development Zone program was created in 1987. The Department of Commerce (at that time, the Department of Development) was given authority to designate eight development zones throughout the state and a total of \$14 million was authorized for tax credits over the life of the program. Since it was first established in 1987, the development zone program has been expanded a number of times. In 1990, the development zone program was expanded to allow for designation of four additional zones and an additional \$4.155 million in total tax credits. In the 1993-95 budget, the program was further expanded to increase by two to a total of 14, the total number of development zones that could be designated. The total amount of tax credits that could be allocated was increased by \$3 million to \$21.155 million. In 1995, the number of development zones that could be designated was increased from 14 to 18, and the total amount of statewide credits was increased by \$7 million, to a total of \$28.155 million. The 1997-99 biennial budget increased the number of development zones that could be designated from 18 to 22, and the total amount of credits that could be allocated was increased by \$5 million to a total of \$33.155 million. The 1999-01 biennial budget increased the maximum amount of credits that could be claimed under the development zones

program by \$5 million, from \$33.155 million to \$38.155 million.

As of January, 2002, Commerce had designated all of the 22 authorized development zones. The authorized zones are located in: Beloit; Eau Claire; Fond du Lac; Green Bay; Janesville; Kenosha; Manitowoc; Milwaukee; Racine; Sturgeon Bay; Superior; Two Rivers; Ashland, Bayfield and Price Counties; Iron County; Florence, Forest, Lincoln and Langlade Counties (North Four); Juneau, Adams and Marquette Counties; Richland, Crawford and Vernon Counties; Grant and LaFayette Counties; Marinette and Oconto Counties; and the Lac du Flambeau and Stockbridge-Munsee Indian Reservations. A total of \$33.4 million in tax credits has been allocated to these zones.

Since the total number of development zones that have been authorized has been designated no more new zones can be created. The following information is included to provide general information about the process used to create development zones.

The statutes provide that, if Commerce determines that an area has experienced or is about to experience economic distress, the Department may invite local governing bodies (the governing body of one or more cities, villages, towns or counties, or a federally-recognized American Indian tribe or band) in the area to nominate the area as a development zone. If a local governing body is invited to nominate an area and it wishes to do so, the local governing body must first hold at least one public hearing on the issue of designating the area as a development zone, and then adopt a resolution or ordinance authorizing it to nominate the area.

After the public hearing and an ordinance or a resolution is adopted, the local governing body may nominate the area for designation as a development zone. The application must include:

- A copy of the ordinance or resolution that

authorizes the local governing body to nominate the area;

- Transcripts of the public hearing;
- Evidence that the area meets the required economic distress criteria;
- Evidence that the area meets the required geographic criteria;
- A description of land use patterns in the area including a detailed map and information about vacant land and buildings available for development;
- A description of past and present economic development activities in the area under local, state or federal programs;
- A description of the local governing body's goals for economic development in the area;
- An assessment of the effect of making the area a development zone on full-time jobs available to the targeted population; and
- Other relevant information.

A "full-time job" is a regular, nonseasonal full-time position in which an individual, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays, and for which the individual receives pay that is equal to at least 150% of the federal minimum wage, and benefits that are not required by federal or state law. A full-time job does not include initial training before an employment position begins. Targeted population means persons who are members of targeted groups for the purpose of the development zone jobs tax credit.

To designate an area as a development zone, Commerce must make certain determinations, including that the area has certain required characteristics related to a high level of unemployment or

poverty, and decreasing property values. In making these determinations the Department must consider certain factors. The factors that must be determined and considered are similar for both development and enterprise development zones and are described in a subsequent section.

An area that is designated a development zone is also subject to certain property value and population limits. A development zone cannot include more than 10% of the property value of the city, village, or town in which it is located. A development zone in a first class city must contain a population of at least 4,000, up to a maximum of 10% of the total population of the city. In other cities, villages, or towns, a development zone must include a population of between 1,000 and 10,000. A development zone located within an Indian reservation must have a population of 5,000 or less. A development zone is required to have a contiguous border following natural or man-made boundaries, and consist of contiguous blocks, census blocks or similar units. An entire county (or counties) can be designated as a development zone, if the total population is less than 75,000. In a first class city, up to eight separate areas can be designated as a single development zone. Two separate areas in other municipalities may be designated a development zone, if certain requirements are met. Four separate areas may be designated a zone in a county.

Based on its evaluation of nomination applications, Commerce designates an area as a development zone. Designation is effective for 20 years. The local governing body can apply to Commerce for one five-year extension of the designation.

The Department of Commerce allocates the total statewide authorization of development zones credits (\$38.155 million) to businesses within each of the 22 development zones. A development zone designation expires 90 days after the day on which the Department determines that foregone tax revenues will equal or exceed the total credit allocation for the zone.

Commerce may reduce the amount of tax benefits allocated to a development zone if any of the following occur:

- No persons are certified for tax credits within 12 months after the zone was designated;
- The rate of economic activity is below projections and the community cannot demonstrate that the economic activity will increase;
- The failure of the applicant to carry out the activities specified in the development zone application; or
- A determination by the Department that inaccurate information was provided in the development zone application, which would have affected the decision to designate the area as a development zone.

Businesses which locate, expand, invest, and conduct certain economic activities in the zones are eligible to claim the development zones tax credits. The Department certifies each business as eligible for tax benefits and credits are allocated to the certified businesses by local economic development staff, based on plans submitted by the business and recommendations by local officials, subject to Department approval. Certification is based on the following criteria:

- The likelihood the person will continue to conduct economic activity in the area following expiration of the development zone;
- The economic activity will not result in: (1) a direct loss of full-time jobs at another of the person's businesses at another state location; or (2) the direct transfer of employees from another state business location to the development zone;
- The person's commitment to use techniques or processes that reduce or eliminate the use of certain ozone-depleting substances;

- The number of full-time jobs that will be created, retained or substantially upgraded as a result of the person's economic activity in relation to the amount of tax benefits;

- The person's plans to make reasonable attempts to hire employees from the targeted population;

- The amount the person proposes to invest in a business or spend on the construction, rehabilitation, repair or remodeling of a building, located within the development zone;

- The likelihood that the person's economic activity will attract other forms of activity to the development zone;

- Whether the person's proposed economic activity is consistent with the development zone application; and

- The effects the person's proposed investment on the economic and social well being of the targeted population.

The Department is authorized to reduce credit allocations to certified persons if the following apply:

- The person fails to hire the number of target group members as proposed, and the person is unable to demonstrate that the proposed number of target group members will be hired while the development zone designation is in effect;

- The person fails to make environmental remediation expenditures equal to or exceeding the amount proposed, and the person is unable to demonstrate that the proposed expenditures will be made while the development zone designation is in effect;

- The person does not comply with the plan for hiring members of the target population as proposed; and

- The person is found to have submitted inaccurate, false or misleading information which would have affected the decision to certify the person as eligible for tax benefits.

Commerce is also responsible for monitoring and evaluating implementation of the program, applying for available federal assistance for the program, and providing technical assistance both to local governments in preparing applications and to persons applying for tax benefits.

Enterprise Development Zones

The 1995-97 budget created the Enterprise Development Zones program. A business that conducts or that intends to conduct economic activity in an area of the state can apply to Commerce to have the area designated as an enterprise development zone by submitting an application and a project plan. The Department can designate the area as an enterprise development zone if the area meets certain criteria, and the Department approves the project plan. Commerce is authorized to establish the length of time an enterprise development zone can be designated, but the zone cannot be designated for more than seven years (84 months).

Originally, Commerce could not designate more than 50 enterprise development zones, unless it received approval from the Joint Committee on Finance. At the September, 1998, meeting under s. 13.10, the Joint Committee on Finance increased the number of enterprise development zones that could be created from 50 to 64. In 1999 Wisconsin Act 9, the total number of enterprise development zones that could be created was increased from 64 to 79. Finally, at the January, 2005, meeting under s. 13.10 of the statutes, the Joint Committee on Finance increased the number of zones that could be created by 2, from 79 to 81. Ten of the zones are required to be for environmental remediation projects. Employers in the environmental remediation zones do not have to claim jobs credits. Through 2004, 64 enterprise development zones had been

certified.

As noted, a business that wishes to have an area designated as an enterprise development zone must submit an application and a project plan to the Department. The project plan must include the following:

- The name and address of the person's business for which tax benefits will be claimed;
- The Wisconsin tax identification number of the business;
- The names and addresses of other locations outside of the proposed zone where the applicant conducts business, and a description of the business activities at those locations;
- In the proposed zone, the amount that the applicant proposes: to invest in a business; to spend on the construction, rehabilitation, repair or remodeling of a building; or to spend on the removal or containment of, or the restoration of soil or groundwater affected by environmental pollution;
- The estimated total investment of the business in the proposed enterprise development zone;
- The estimated number of full-time jobs that will be created, retained or substantially upgraded as a result of the project in relation to the estimated amount of tax benefits received;
- The person's plans to make reasonable attempts to hire employees from the target population;
- The estimated number of full-time jobs that will be filled by members of the target population;
- The boundaries or legal description of the area proposed to be designated as an enterprise development zone; and

- Any other information required by Commerce or DOR.

Commerce is authorized to approve a project plan and designate, as an enterprise development zone, an area in which the person that submits the project plan conducts or intends to conduct the project. The Department may not designate an area as an enterprise development zone if that area is within the boundaries of a development zone or development opportunity zone. A business which conducts economic activity in an enterprise development zone and is certified by Commerce can claim the consolidated development zones tax credit. Only one business is eligible for tax benefits in an enterprise development zone. The maximum amount of credits that can be claimed by an eligible business in an enterprise development zone is established by Commerce, but cannot exceed \$3 million. Through October, 2004, over \$118.8 million in tax credits had been allocated to 64 certified enterprise development zones. Credit allocations ranged from \$410,000 to \$3.0 million with an average allocation of \$1.86 million. The Department is annually required to estimate the amount of foregone tax revenues due to the tax benefits claimed by businesses in the zones. A zone expires 90 days after the limit on tax benefits is equaled or exceeded.

In general, the Department is required to reach a number of determinations (described in the next section) in establishing an enterprise development zone. However, in creating zones for environmental remediation, Commerce may designate the area as an enterprise development zone if it determines: (1) the project serves a public purpose; (2) the project will not occur or continue without designation of the area as an enterprise development zone; and (3) the project will likely provide for significant environmental remediation. In making the zone designation, the Department must consider the likelihood of environmental remediation resulting from the project, in addition to the other factors for consideration that apply to all zones (described in the next section.)

Commerce may revoke designation of an area as an enterprise development zone and the tax credit entitlement of a business if the business: (1) supplies false or misleading information; (2) leaves the zone to conduct substantially the same business outside of the zone ; or (3) ceases operations in the zone and does not renew the same or similar operations in the zone within 12 months.

Provisions Applicable to Development and Enterprise Development Zones

The following sections summarize provisions which generally apply to both the development and enterprise development zone programs.

Purpose. To attract and retain businesses, and to promote economic growth and development through job creation and investment in economically distressed areas.

Eligible Applicants. Businesses which conduct economic activity in development or enterprise development zones.

Special Requirements. In order to designate an area as a development or enterprise development zone, the Department of Commerce must determine all of the following:

- That designation of the area will serve a public purpose;
- That designation of the area will likely retain or increase employment in the state;
- That the economic development in the area is not likely to occur or continue without the Department's designation of the area as a development or enterprise development zone; and
- That the area meets at least three of the following criteria: (1) the unemployment rate in the area is higher than the state average for the 18 months immediately preceding the date on which the application for creating the zone was filed; (2)

the percentage of persons residing in the area who are members of households with household income levels at or below 80% of the statewide median household income is higher than the state average; (3) the percentage of households in the area receiving unemployment insurance or participating in the W-2 program is higher than the state average; (4) in the 36 months immediately preceding the date on which a application for creating a zone was submitted to the Department of Commerce, a number of workers in the area were permanently laid off by their employer or became unemployed as a result of a business action subject to the state business closing law; (5) an employer in the vicinity of the area has given public notice under state law of either a business closing or reduction of the greater of 25 employees or 25% of the employees of a business that will result in a number of workers being laid off permanently; (6) property values in the area have been declining; (7) there has been a decline in population in the area.

In determining if an area has the required characteristics to be designated as a development or enterprise development zone Commerce must consider the following:

- The extent of poverty, unemployment or other factors contributing to general economic hardship in the area;
- The prospects for new investment and economic development in the area;
- The amount of investment that is likely to result from designation of the area as a zone;
- The number of full-time jobs that are likely to be created or retained in the area as a result of its designation as a zone;
- The number of full-time jobs that are likely to be available to the target population as a result of designation of the area as a zone;

- The competitive effect of designating the area as a zone on other businesses in the vicinity of the area;
- The needs of other areas of the state; and
- Any other factors that Commerce considers relevant.

Tax Credits. Eligible businesses which conduct economic activity in development or enterprise development zones may claim the consolidated development zone tax credit. The credit is based on amounts spent on environmental remediation and the number of full-time jobs created or retained.

a. *Environmental Remediation Component.* A credit against income taxes due can be claimed for 50% of the amount expended for environmental remediation in a development or enterprise development zone. "Environmental remediation" is defined as removal or containment of environmental pollution, and restoration of soil or groundwater that is affected by environmental pollution in a brownfield if removal, containment, or restoration began after the area that contains the site where the work was done was designated a development or enterprise development zone. Investigation costs are eligible unless the investigation determines that remediation is required and remediation is not undertaken. "Environmental pollution" means the contaminating or rendering unclean or impure the air, land or waters of the state, or making the same injurious to public health, harmful for commercial or recreational use, or deleterious to fish, bird, animal or plant life. "Brownfield" is defined as an industrial or commercial facility the expansion or redevelopment of which is complicated by environmental contamination.

b. *Full-Time Jobs Component.* A credit of up to \$8,000 against income and franchise taxes can be claimed for: (1) each full-time job created in a development or enterprise development zone and filled by a member of a targeted group; and (2) retaining a full-time job in an enterprise development

zone if Commerce determines that a significant capital investment was made to retain the full-time job. In addition, a credit of up to \$6,000 can be claimed for each full-time job created or retained in a development or enterprise development zone that is filled by a Wisconsin resident who is not a member of a targeted group. At least one-third of jobs credits claimed must be based on jobs created and filled by targeted group members. In addition, except for businesses that only claim credits for environmental remediation, 25% of all tax credits claimed must be based on creating or retaining full-time jobs.

"Full-time job" is defined as a regular, nonseasonal full-time position in which an individual, as a condition of employment, is required to work at least 2,080 hours per year, including leave and paid holidays, and for which the individual receives pay equal to at least 150% of the federal minimum wage and also receives benefits that are not required by federal or state law. A full-time job does not include initial training before an employment position began. Targeted groups include the following: (1) dislocated workers; (2) economically disadvantaged youths; (3) economically disadvantaged ex-convicts; (4) vocational rehabilitation referrals; (5) economically disadvantaged veterans; (6) general assistance recipients; (7) Supplemental Security Income (SSI) recipients; (8) qualified summer youth employees; (9) Wisconsin Works (W-2) participants; (10) residents of federally designated enterprise communities, and (11) food stamp recipients.

Credits that are not entirely used to offset income or franchise taxes in the current year can be carried forward up to 15 years to offset future tax liabilities. If a certification of eligibility for tax benefits is revoked, credits cannot be claimed for the tax year in which the certification was revoked or for successive tax years, and unused credits cannot be carried forward to offset tax liabilities for the year in which certification was revoked and succeeding years. In addition, credits cannot be claimed for the year in which a person that was

certified for tax benefits ceases business operations in a development or enterprise development zone, and unused credit amounts cannot be carried forward from that year or from previous years.

The Department of Revenue administers credit claims and can take any action, conduct any proceeding and proceed as authorized under income and franchise tax provisions relating to timely claims, assessments, refunds, appeals, collection, interest and penalties. Provisions related to the pass through of the current development zones jobs tax credit for partnerships, limited liability companies, and tax-option corporations apply.

Information about development and enterprise development zones is shown in Appendices 3 and 4.

Development Opportunity Zones

Development opportunity zones were first authorized under 1993 Wisconsin Act 232, which designated areas in the cities of Beloit and West Allis as development opportunity zones. Corporations in the development opportunity zones in Beloit or West Allis that in conjunction with the local governing body submitted a project plan to the Department of Commerce by October 23, 1994, and conducted economic activity in the zones were eligible to claim development zones tax credits. The maximum amount of tax credits that could be claimed in the Beloit zone was limited to \$7.0 million; whereas the maximum amount of credits that could be claimed in the West Allis zone was \$3.0 million. Each zone existed for three years, from April, 1994, until April, 1997.

A development opportunity zone was created in Eau Claire under provisions of 1995 Wisconsin Act 2. Corporations in the Eau Claire development opportunity zone, that submitted a project plan in conjunction with the local governing body and conducted economic activity in the zone could claim development zones tax credits. The maximum amount of credits that could be claimed was

\$3.0 million. The Eau Claire development zone existed from April, 1995, to April, 1998.

1999 Wisconsin Act 9 designated an area in the City of Kenosha a development opportunity zone. A business conducting economic activity in the zone and that meets eligibility requirements may claim the consolidated development zones jobs and environmental remediation tax credit and the former development zone investment credit. The total amount of tax credits that can be claimed in the Kenosha development opportunity zone is \$7.0 million. The Kenosha zone was established in January, 2000, and will exist for seven years. DaimlerChrysler is expanding its Kenosha engine plant in the zone.

2001 Wisconsin Act 16 included provisions that required Commerce to designate an area in the City of Milwaukee and an area in the City of Beloit as development opportunity zones. Businesses in the zones that meet eligibility requirements are eligible to claim the consolidated development zones jobs and environmental remediation tax credit and the development zones capital investment credit that is created under Act 16. Businesses in the Milwaukee development opportunity zone can also claim the former development zone investment credit. The maximum amount of tax credits that can be claimed by businesses in each zone is \$4.7 million. The Milwaukee and Beloit development opportunity zones were designated in September, 2001, and will exist for seven years. The Milwaukee development opportunity zone will provide financial assistance for a renovation of the Boston Store (part of Carson, Pirie, Scott, a division of Saks, Inc., at the Grand Avenue Mall). The Beloit development opportunity zone will provide financial assistance to the city's Gateway Project.

Provisions Applicable to Development Opportunity Zones

Purpose. To promote economic growth, job creation and investment in specific areas of the state through specific projects.

Eligible Applicants. Businesses conducting or intending to conduct economic activity in a development opportunity zone.

Special Requirements. To be eligible for tax credits a business must be conducting or intend to conduct economic activity in a development opportunity zone and must, in conjunction with the local governing body of the city in which the zone is located, submit a project plan to Commerce.

The project plan is required to include the following:

- The name and address of the business for which tax benefits will be claimed;
- The federal identification number of the business;
- The names and addresses of other locations outside of the development opportunity zone where business activities are conducted, and a description of the business activities conducted at those locations;
- The amount the business proposes to invest or to spend on the construction, rehabilitation, repair, or remodeling of a building located within the development opportunity zone;
- The estimated total investment of the business in the development opportunity zone;
- The number of full-time jobs that will be created, retained or substantially upgraded as a result of the business' economic activity in relation to the amount of tax benefits estimated for the business;
- The business' plans to make reasonable attempts to hire employees from the targeted population;
- A description of the commitment of the local governing body of the city in which the

development zone is located to the business' project; and

- Other information required by Commerce or DOR.

Commerce is required to notify DOR of all businesses entitled to claim tax credits and to verify tax credit information.

Commerce is required to revoke the entitlement of a business to claim tax benefits if the business does any of the following:

- Supplies false or misleading information to obtain the tax benefits;
- Leaves the development opportunity zone to conduct substantially the same business outside of the development opportunity zone; and
- Ceases operations in the development opportunity zone and does not renew operation of the trade or business or a similar trade or business within the development opportunity zone within 12 months.

Commerce must notify DOR within 30 days of revoking entitlement for tax benefits.

The Department of Commerce is required to annually estimate the amount of forgone state tax revenue that is due to tax benefits claimed by businesses in each development opportunity zone. If the Department determines that forgone tax revenues will equal or exceed the maximum amount of tax benefits allocated to the zone (\$4.7 million for Milwaukee and Beloit; \$7.0 million for Kenosha), the area's designation as a development opportunity zone expires 90 days after the day on which forgone revenues equal or exceed tax benefits. Commerce must immediately notify the local governing body of the city of a change in the expiration date of the zone.

Tax Credits. As noted, businesses in all devel-

opment opportunity zones can claim the consolidated development zones environmental remediation and jobs tax credit. Businesses in the Milwaukee and Kenosha zones can claim the development zones investment credit. Businesses in the Beloit and Milwaukee development opportunity zones can claim the development zones capital investment credit created by 2001 Act 16.

Development Zones Investment Credit. The development zone investment credit was provided to businesses operating in development and enterprise development zones prior to the 1998 tax year. (The current consolidated development zones environmental remediation and jobs tax credit that is provided to businesses in development and enterprise development zones was created by 1997 Wisconsin Act 27.) The investment credit can be claimed by businesses in certain development opportunity zones and technology zones, if certified by Commerce. The development zones investment credit is equal to 2.5% of the purchase price of depreciable tangible personal property, or 1.75% of the purchase price of depreciable tangible personal property that is expensed under section 179 of the Internal Revenue Code (IRC). The property must be purchased after the business is certified for tax benefits by the state Department of Commerce. The credit is available only for qualified new and used property that has at least 50% of its use devoted to the conduct of business operations at a location in the zone or, if the property is mobile, the base of operations of the property for at least 50% of its use must be at a location in a zone. If the credit is claimed for used property, the claimant may not have used the property for business purposes at a location outside the zone.

Only taxes due on income generated by or directly related to business activities in the zone can be offset by the credit. The credit is not refundable but unused credit amounts can be carried forward fifteen years to offset future tax liabilities on income generated by activities in the development zone. However, if the corporation ceases business operations in the zone, unused credit amounts

cannot be carried forward. If certification is revoked, no credit can be claimed, beginning with the year in which the revocation occurs and unused credits may not be carried forward to offset tax liabilities in succeeding years. The claimant is subject to recapture provisions when the investment credit property is disposed of or moved outside the zone.

Development Zones Capital Investment Credit. As noted, 2001 Act 16, created a development zone capital investment credit that can be claimed by businesses in the Beloit and Milwaukee development opportunity zones. (The credit can also be claimed by businesses in technology zones and the agricultural development zone, if certified by Commerce.) The development zone capital investment tax credit equals 3% of the following:

1. The purchase price of depreciable, tangible personal property. The property must have been purchased after the claimant was certified as eligible for tax benefits, and the personal property has to have at least 50% of its use in the claimant's business location in the zone. If the property is mobile, the base of operations for at least 50% of its use must be in the zone.
2. The amount expended to acquire, construct, rehabilitate, remodel, or repair real property in the zone. Such expenses are eligible for the credit if the claimant began the physical work of construction, rehabilitation, remodeling or repair, or any demolition or destruction in preparation for the physical work, after the place where the property is located was designated a zone, or if the completed project is placed in service after the claimant is certified for tax benefits. A credit cannot be claimed for expenses for preliminary activities such as planning, designing, securing financing, research, development specifications, or stabilizing the property to prevent deterioration.

A claimant can also claim a tax credit for amounts expended to acquire real property, if the property was not previously owned and the claim-

ant acquired the property after the place where the property was located was designated a development opportunity, technology, or agricultural development zone, or if the completed project was placed in service after the claimant was certified as eligible for tax benefits.

Credits that are not entirely used to offset income or franchise taxes in the current year can be carried forward up to 15 years to offset future tax liabilities. If a certification of eligibility for tax benefits is revoked, credits cannot be claimed for the tax year in which the certification is revoked or for successive tax years, and unused credits cannot be carried forward to offset tax liabilities in succeeding years. In addition, credits cannot be claimed for the year in which a business that is certified for tax benefits ceases businesses operations in a zone, and unused credit amounts cannot be carried forward from that year or from previous years.

The Department of Revenue administers credit claims and is authorized to take action, conduct any proceeding and act as authorized under income and franchise tax provisions relating to timely claims, assessments, refunds, appeals, collection, interest, and penalties. DOR is authorized to deny any portion of a credit that was claimed if allowing the full credit would cause the total amount of credits to exceed the maximum credit limit.

Authority to Claim Tax Credits Based on the Economic Activity of Another. Development zone tax credits can be claimed based on the economic activity of another in the Milwaukee and Beloit development opportunity zones. The Department of Commerce is authorized to certify as eligible for tax credits a business that is conducting economic activity in either of the zones that would not otherwise be entitled to claim the credits if certain criteria are met. (This provision is intended to address cases where a person develops a business location for lease to another business and the leasee business created jobs but could not claim the jobs com-

ponent of the development zones credit.) In order for Commerce to certify a business as eligible for credits based on the economic activity of another business, the following must apply:

- The economic activity must be instrumental in enabling another business to conduct economic activity in the development opportunity zone;
- Commerce determines that the economic activity of the other person would not occur without involvement of the person to be certified;
- The business to be certified for tax benefits will pass the tax benefits through to the other person conducting economic activity in the development opportunity zone; and
- The other business conducting economic activity in the zone does not itself claim tax benefits.

The business that intends to claim tax benefits based on the economic activity of another business is required to submit an application to Commerce with information required by Commerce and DOR. Commerce is required to verify information submitted for tax credits, and to notify DOR of all businesses that are certified to claim the credits. Commerce is required to revoke entitlement to claim tax credits if the business does any of the following: (1) supplies false or misleading information to obtain tax benefits; (2) ceases operations in the development opportunity zone; or (3) does not pass the benefits through to the other business conducting economic activity in the zone.

Technology Zones

2001 Wisconsin Act 16 created the technology zones program to promote the development and expansion of high-technology businesses across the state, based on the concept of promoting industry cluster formation. Commerce is authorized to create eight technology zones throughout the state.

Eligible businesses that locate or expand in a zone may be eligible to claim tax credits, including the technology zones tax credit, and, if Commerce approves, the development zones environmental remediation and jobs tax credit, the development zones investment tax credit, and the development zones capital investment tax credit. Businesses in technology zones can only claim a specific tax credit if certified by Commerce. The maximum amount of tax credits that can be claimed in a technology zone is \$5.0 million. A technology zone exists for 10 years, beginning with the time Commerce designates the zone. Commerce may change the boundaries of a zone while it is designated, and the change will not effect the duration of the designation or the maximum amount of tax credits that could be claimed in the zone.

Under the program, a high-technology business is defined as either of the following:

- A person engaged in the activities of research, development or manufacture of advanced products or materials for use in factory automation, biotechnology, chemicals, computer hardware, computer software, defense, energy, environmental, manufacturing equipment, medical, pharmaceuticals, photonics, subassemblies and components, test and measurement, telecommunications, and transportation; or
- A person that is identified by the technology zone contact as part of a target cluster and is a knowledge-based business or a business that utilizes advanced technology production processes, systems or equipment. Knowledge-based businesses possess some, if not all of the following attributes: highly skilled and educated workforce; high level of research and development activities; strong export orientation; high percentage of intangible assets; and products and materials with short life expectations and high gross margins. In addition, knowledge-based businesses are considered more likely to use and/or develop advanced technologies, and to be innovative in their products, services or processes.

Person includes a natural person, estate, trust, partnership, corporation, tax-option corporation, insurance company, or trade and business entity of Native Americans or tribes on reservation property or property held in tribal trust. A new business is a person that has been in operation for less than one year prior to the date of application for certification for tax credits. An expanding business is a person that is making a capital investment such as expansion of existing facilities, construction of new facilities, or purchase of new equipment, or that is retaining, creating or significantly upgrading jobs.

An eligible applicant for a technology zone is the governing body of one or more cities, villages, towns, or counties, or the elected governing body of a federally recognized American Indian tribe or band in the state.

Each application for designation as a technology zone is required to contain the following:

- The name, address, phone number and designated contact person of the eligible applicant;
- A map outlining the specific area where technology development is likely to occur;
- A detailed description of principal technology development and supporting efforts and activities including, but not limited to: (1) networking and clustering of high-technology businesses; (2) existing or planned technology parks and incubators in the proposed designated technology zone and immediate vicinity of the technology zone; (3) venture financing available to high-technology business; (4) workforce development available to high-technology business; (5) any additional incentives being made available by the eligible applicant to high-technology business located or planning to locate in the technology zone; (6) mechanisms to facilitate technology transfer; (7) technical infrastructure and stable traditional infrastructure available to high-technology business; (8) available supplier network to high-technology business; and (9) other information requested by Commerce;

- The eligible applicant's comprehensive plan or strategy developed for the attraction, promotion and expansion of high-technology business; and
- Any local criteria and guidelines for certification of high-technology business.

Commerce must evaluate applications for designation of an area as a technology zone based on the local capacity and organization of the area as it relates to the attraction, promotion and expansion of high-technology business. The Department may consider regional cooperation and geographical distribution when evaluating applications. Commerce provides written notification to applicants of designation of an area as a technology zone. Commerce is also required to notify DOR of: (1) a technology zone's designation; (2) a business' certification as eligible for tax benefits and the limit on the amount of tax credits the business may claim; and (3) the extension or revocation of a business certification.

All eight authorized technology zones have been designated encompassing 54 counties. The designated technology zones are the following:

SuperiorLife Technology Zone. The zone includes Ashland, Bayfield, Burnett, Douglas, Iron, and Washburn Counties.

I-94 Corridor Technology Zone. The zone includes Chippewa, Dunn, Eau Claire, Pierce, Polk, and St. Croix Counties.

North Central Advantage Technology Zone. The zone includes Adams, Forest, Langlade, Lincoln, Marathon, Oneida, Portage, Vilas, and Wood Counties.

NEWREP Technology Zone. The zone includes Brown, Calumet, Door, Florence, Fond du Lac, Kewaunee, Manitowoc, Marinette, Menominee, Oconto, Outagamie, Shawano, Sheboygan, Waushara, Waupaca, and Winnebago Counties.

Western Wisconsin Technology Zone. The zone includes Crawford, Jackson, Juneau, LaCrosse, Monroe, Trempealeau, and Vernon Counties.

Metropolitan Milwaukee Technology Zone. The zone includes Milwaukee, Ozaukee, Washington, and Waukesha Counties.

Capital Ideas Technology Zone. The zone includes Dane, Jefferson, and Rock Counties.

Southeast Tri-County Technology Zone. The zone includes Kenosha, Racine, and Walworth Counties.

Provisions Applicable to Technology Zones

Purpose. To provide incentives to attract, promote, and expand high-technology businesses that will generate an investment and high-wage jobs in the state.

Eligible Applicants. Businesses located in technology zones that are new or expanding high-technology businesses.

Special Requirements. Commerce is required to certify an eligible high-technology business as eligible for tax credits. The technology zone contact must recommend the business for certification.

In order to be certified as eligible for the benefits, a business must submit an application to Commerce that includes the following:

- The name, address and phone number of the high-technology business and a designated contact person;
- The Wisconsin tax identification number of the business;
- The names and addresses of other locations outside the technology zone where the business operates, and a description of the business activities conducted at those locations;

- The estimated total investment by the business in the technology zone;

- The estimated number of full-time jobs that will be created, retained or significantly upgraded in the technology zone because of the high-technology business;

- The extent and nature of the high-technology used or produced by the business;

- Historical and projected financial information;

- Documentation supporting sales, property, and income tax projections; and

- Other information required by Commerce on the technology zone contact.

In determining whether or not to certify a business for tax benefits, and in establishing tax benefit limits, Commerce must consider the following:

- The prospects for the project to attract related high-technology businesses to the area;

- The extent and nature of the high-technology used or produced by the business;

- The amount of private investment that is likely to result from the project;

- The number and quality of jobs that are likely to be retained, created or upgraded as a result of the project;

- The competitive effect of the tax benefits on other businesses in the area;

- Whether the project is likely to occur or continue without allocation of available tax benefits;

- The financial soundness of the high-technology business;

- The baseline goals of the high-technology business; and

- Other factors the Department considers relevant.

When the Department determines that the business is eligible to be certified for tax benefits, the Department notifies the business of its certification. The Department establishes a limit on the amount of tax credits the business may claim. Subject to the limit, a business that is certified for tax credits may claim a tax credit for three years. Commerce may extend the certification for one additional two-year period based on at least one of the following factors: (1) additional significant job creation; or (2) additional significant capital investment. The business must meet or exceed baseline goals established in the original certification to have certification extended.

Commerce must enter into an agreement with a high-technology business that is certified for tax credits that specifies: (1) the limit on the amount of credits the business may claim; (2) the extent and type of growth, specific to the business that the high-technology business must experience to extend eligibility for tax credits; (3) the business baseline against which that growth will be measured; (4) any other conditions the business must satisfy to expand eligibility for a tax credit; and (5) reporting requirements.

Commerce may reduce the amount of tax benefits established for a high-technology business if it determines the information on which the limit is based was inaccurate or significantly misestimated. Commerce is required to revoke a certification for tax credits for either of the following circumstances: (1) submittal of false or misleading information in order to obtain certification; or (2) ceasing operations as a high-technology business in the technology zone.

Commerce is prohibited from certifying a high-technology business for tax credits if the proposed

new business, expansion of an existing business, or other proposed economic activity in a technology zone would do either of the following: (1) result in the direct loss of full-time jobs at another of the business' locations in Wisconsin that are outside of the technology zone; or (2) likely result in the direct transfer of employees from a business location in the state to a location in the technology zone, unless Commerce determines that the total number of full-time jobs provided by the business in the state would be reduced if the business was not certified or in extraordinary situations.

A certified high-technology business may claim tax credits on forms acceptable to the Department of Revenue (DOR). Tax credit claims must also include:

- A copy of the certification issued by Commerce;
- A copy of a statement from Commerce verifying the claim;
- The state employer tax identification number;
- The North American Industry Classification System (NAICS) for the high-technology business; and
- Any forms required by DOR.

Prior to filing a claim for tax credits with DOR, the high-technology business must file an annual report with Commerce supporting the claim for tax benefits and that includes:

- Tax information required to claim the credits;
- The status of the certified business' project including: the number of jobs created, retained, or significantly upgraded; the total amount invested; and other relevant information; and

- Documentation of sales, property, and income tax projections and other information.

Commerce is required to verify the tax credit claim.

Tax Credits. Certified businesses in technology zones can claim the technology zones tax credits. Statutorily, the consolidated development zones environmental remediation and jobs tax credit, the development zones capital investment tax credit, and the development zones investment tax credit can be claimed, but must be approved by Commerce.

Technology Zones Tax Credit. A business that is located in a technology zone and that is certified by Commerce is eligible to claim the technology zones tax credit. To be certified as eligible for the technology zones tax credit, the business must be new or expanding, and be a high-technology business.

Under the provisions of Act 16, the technology zone tax credit was equal to the sum of the following: (1) the amount of real and personal property taxes paid during the tax year; (2) the amount of state income and franchise taxes paid during the tax year; (3) the amount of state, county and special district sales and use taxes paid during the tax year.

However, under the provisions of 2003 Wisconsin Act 72, the technology zones tax credit components that provided credits for state income and franchise taxes paid, and for state, county, and special district sales taxes paid were eliminated and replaced by investment and jobs tax credit components. Consequently, under current law, the technology zones tax credit equals the sum of the following: (1) the amount of real and personal property taxes paid during the tax year; (2) 10% of capital investments made, including the purchase price of depreciable, tangible personal property, and the amount expended to acquire construct, rehabilitate, remodel, or repair real property in a technology zone; and (3) 15% of the amount spent for the first

12 months of wages for each job created in a technology zone.

The maximum amount of credits that can be claimed in a technology zone is \$5.0 million. Credits that are not entirely used to offset income or franchise taxes in the current year can be carried forward up to 15 years to offset future tax liabilities. The Department of Revenue is authorized to deny any portion of a technology zone tax credit that was claimed if allowing the full total amount of credits to be claimed would cause the total amount of credits to be claimed to exceed the maximum credit limit for the zone. DOR is required to notify Commerce of all technology zone tax credit claims, administer credit claims, take any action, conduct any proceeding, and proceed as authorized under income and franchise tax provisions relating to timely claims, assessments, refunds, appeals, collection, interest and penalties. Income and franchise tax provisions related to change of ownership also apply.

The following table provides summary information about the amount of technology zone tax credits awarded as of December, 2004:

Technology Zone Tax Credits Awarded Through December, 2004

Zone	Number of Credits	Number of Claimants
Capital Ideas	\$1,653,100	10
I-94 Corridor	2,243,000	11
Metro Milwaukee	1,738,800	7
NEWREP	1,850,200	9
North Central Advantage	1,009,000	5
Southeast Tri-County	343,500	2
Superior Life	410,100	2
Western Wisconsin	<u>500,000</u>	<u>2</u>
	\$9,747,600	48

Agricultural Development Zone

2001 Wisconsin Act 16 created the agricultural development zone program to promote the development and expansion of agricultural businesses in

Wisconsin. Under the program, Commerce is authorized to designate an area in the state as an agricultural development zone. The area must be located in a rural municipality. The Department is authorized to designate sub-regions for the administration and operation of the agricultural development zone. An agricultural development zone cannot be designated in a county that includes a technology zone.

An agricultural business that locates or expands in the zone and that is certified by Commerce can claim the consolidated development zones environmental remediation and jobs tax credit and the development zones capital investment credit created under Act 16. The total amount of tax credits that can be claimed in the agricultural development zone is \$5.0 million. The agricultural development zone exists for 10 years, beginning when Commerce first designates the area as a zone. Commerce may change the boundaries of the zone and the change will not affect the life of the zone or the maximum amount of tax credits that can be claimed in the zone.

Under the program, an "agricultural business" is defined as a business that is part of an agricultural business/food processing cluster. An agricultural business/food processing cluster includes, but is not limited to, the growing of foods and the processing of agricultural products. Agricultural business includes all of the activities or operations that are involved in the growth, production, processing, manufacturing, distribution, and wholesale and retail sales of agricultural and food products.

A "rural municipality" means any of the following: (1) a city, town, or village that is located in a county with a population density of less than 150 persons per square mile; or (2) a city, town, or village with a population of 6,000 or less.

"Person" is defined as a natural person, estate, trust, partnership, corporation, S corporation, limited liability company (LLC), insurance company, or trade and business entity of an American Indian

tribe or band or reservation property or a property held in tribal trust. A new business is a person that has been in operation for less than one year prior to applying for certification for tax benefits. An expanding business is a person that: (1) is making a capital investment such as expansion of existing facilities, construction of new facilities, or purchase of new equipment; or (2) is retaining, creating, or significantly upgrading jobs.

An eligible applicant for designation of the agricultural development zone means the governing body of one or more cities, villages, towns, or counties, or the elected governing body of a federally-recognized American Indian tribe or band in the state. The applicant must either be or have within its legal boundaries a rural municipality. An area is defined as a geographic region that is located within a rural municipality which may contain entire counties or portions, and is under the jurisdiction of an eligible applicant.

Applications for designation as an agricultural development zone are required to be submitted to Commerce by eligible applicants. Each application must contain all of the following:

- The name, address, phone number and designated contact person of the eligible applicant;
- A map outlining the specific area where agricultural business development is likely to occur; and
- A brief description of principal agricultural business development-supporting efforts and activities. The description must include any plan or strategy developed for the attraction, promotion, retention, or expansion of agricultural business.

Commerce is required to evaluate an application for designation as an agricultural development zone based on the local capacity and organization of the area as it relates to the attraction, promotion, retention, and expansion of agricultural business. The Department provides written notification of

designation of an area as an agricultural development zone. Commerce is also required to notify the Department of Revenue of: (1) the agricultural development zone's designation; (2) a business' certification for tax credits, and the amount of tax credits the business may claim; and (3) the revocation of a business certification.

The agricultural development zone was designated in October, 2002, and is comprised of four different areas in the state. It includes the 18 counties not designated as technology zones. Specifically, the agricultural development zone was designated in the following four regions:

Central Mississippi River Region. The region includes Buffalo and Pepin Counties.

South Central Region. The region includes Columbia, Dodge, Green Lake, Marquette, and Sauk Counties.

Southwestern Region. The region includes Grant, Green, Iowa, Lafayette, and Richland Counties.

North Central Six Region. The region includes Barron, Clark, Price, Rusk, Sawyer, and Taylor Counties.

Provisions Applicable to the Agricultural Development Zone

Purpose. To provide incentives to attract, promote, retain and encourage expansion of agricultural businesses in Wisconsin.

Eligible Applicants. New or expanding agricultural businesses in the agricultural development zone.

Special Requirements. Commerce is required to certify businesses in the agricultural development zone for tax credits. The agricultural development zone contact must recommend the business for certification.

To be certified as eligible for tax benefits a business must submit an application to Commerce that includes all of the following:

- The name, address and phone number of the agricultural business and a designated contact person;
- A description of the project;
- The Wisconsin tax identification number of the business;
- The names and addresses of other locations outside the agricultural development zone where the agricultural business conducts operations, and a description of the business activities at those locations;
- The estimated total investment by the agricultural business in the agricultural development zone;
- The estimated number of full-time jobs that will be created, retained, or significantly upgraded in the agricultural development zone because of the agricultural business;
- The average starting wages and benefits that will be provided to persons hired as a result of the project;
- Historical and projected financial information; and
- Other information required by Commerce of the agricultural zone contact.

In certifying and establishing a tax benefit limit for an eligible agricultural business, Commerce is required to consider all of the following:

- The prospects for the project to attract related agricultural business to the area;
- The amount of private investment that is

likely to result from the project;

- The number and quality of jobs that are likely to be retained, created or upgraded as a result of the project;
- The competitive effect of the tax benefits on other agricultural businesses in the area;
- Whether the project is likely to occur or continue without allocation of the tax benefits available to the business;
- The financial soundness of the agricultural business;
- Whether the project will likely positively affect the area's economic distress;
- Whether the project will result in the dislocation of an agricultural business from one municipality to another; and
- Other factors the Department considers relevant.

When Commerce certifies an agricultural business for tax benefits it is required to notify the business and establish a limit for tax credits. The Department is then required to enter into an agreement with the business that specifies the limit for tax credits and reporting requirements.

Commerce, at the request of a certified agricultural business and on the recommendation of the agricultural development zone contact, can increase the tax credit limit established for a certified business if the Department: (1) considers the tax credit benefits awarded to all certified businesses in an agricultural development zone so that not more than \$5 million in tax credits may be claimed in the zone; and (2) revises the certification and provides a copy of the revised certification to the Department of Revenue and to the certified business. Commerce is authorized to reduce the tax credit limit if it determines the information on which the limit is based was inaccurate or signifi-

cantly misestimated. Commerce is required to revoke certification of an agricultural business for either of the following circumstances: (1) submittal of false or misleading information in order to obtain certification; or (2) cessation of operations as an agricultural business within an agricultural development zone.

An agricultural business cannot be certified for tax credits if the proposed new business expansion of the existing business or other proposed economic activity in an agricultural development zone would do either of the following:

- Result in the direct loss of full-time jobs at another of the person's agricultural businesses located in the state, but not located in the agricultural development zone; or
- Likely result in the direct transfer of employees from a business location in Wisconsin to a business location in an agricultural development zone, unless Commerce determines that the total number of full-time jobs provided by the agricultural business in the state would be reduced if the business was not certified, or if the situation is extraordinary.

A certified agricultural business must claim tax credits on forms acceptable to the Department of Revenue. The tax credit claims must also include:

- A copy of the certification issued by Commerce;
- A copy of a statement from Commerce verifying the tax credit claim;
- The state employer tax identification number of the agricultural business; and
- The NAICS for the business.

Prior to filing for tax credits a certified business must file with Commerce an annual report supporting the tax credit claim that includes:

- Information required to claim the tax credits;
- The status of the certified agricultural business' project, including, without limitation, the number of jobs created, amount invested, and other information relating to the tax credits claimed by the business;
- Documentation of investments; and
- Other information required by Commerce.

Tax Credits. Agricultural businesses in the agricultural development zone may claim the consolidated development zones environmental remediation and jobs tax credit and the development zones capital investment credit, created under 2001 Wisconsin Act 16. (These credits are described in previous sections.)

The following table shows the amount of agricultural development zone tax credits awarded in each of the zone's regions, as of December, 2004.

**Agricultural Development Zone
Tax Credits Awarded
(December , 2004)**

Region	Award Amount	Claimants
Central Mississippi River Region	\$250,000	1
North Central Six	630,000	3
South Central	965,800	7
Southwest	<u>644,200</u>	<u>7</u>
	\$2,490,000	18

**Technology Commercialization
Tax Credits Certification**

In April, 2004, the early stage business investment program was created under the provisions of 2004 Wisconsin Act 255. Act 255 also created the

technology commercialization grant and loan program (described in a previous section). The early stage business investment program established the angel investment tax credit and early stage seed investment tax credit intended to increase investment in start-up early stage businesses by venture capitalists and angel investors. The angel investment tax credit provides a credit for an angel investment in a qualified new business venture, while the early stage seed tax credit provides a credit for an investment by a fund manager in a qualified new business venture. The Department of Commerce has administrative responsibilities related to eligibility, certification of qualified businesses and fund managers, and reporting requirements for the Department and investors.

The rules for the early stage business investment program define business as the entity and all its consolidated affiliates. Headquarters means the location of principal central administrative offices, or where at least 80% of its payroll is paid to employees employed. "In Operation" means in existence since the date of first incorporation, registration, or incurring tax deductible expenses.

An investment is defined as the investment of cash in a qualified new business venture that is used for legitimate business purposes in exchange for any of the following: (1) common stock; (2) partnership or membership interest; (3) preferred stock; and (4) an equivalent ownership interest in the qualified new business venture acceptable to Commerce. A legitimate business purpose doesn't include refinancing any prior investment on which a tax credit was earned.

As noted, in order to qualify for tax credits, an investment must be made in a qualified new business venture. A qualified new business venture is an early stage business conducting precommercialization activity related to proprietary technology and that is certified by the Department. To be certified, a businesses must submit an application to Commerce in each tax year for which the business wants to be certified. A business may be certi-

fied by the Department and maintain its certification as a qualified new business venture only if it satisfies all of the following:

- It has its headquarters in this state;
- At least 51% of the employees employed by the business are employed by the state;
- It is engaged in, or has committed to engage in, one of the following: (1) developing a new product or business process; or (2) manufacturing, agriculture, or processing or assembling products, and conducting research and development;
- It is not engaged in real estate, development, insurance, banking, lending, lobbying, political consulting, professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants, wholesale or retail trade, leisure, hospitality, transportation, or construction;
- It has not received more than \$1,000,000 in aggregate investments that have qualified for angel investment tax credits;
- It has not received aggregate private equity investment of more than \$5 million, and;
- At the time it is certified, it meets both of the following: (1) it has less than 100 full-time equivalent employees; and (2) has been in operation for not more than 7 consecutive years;

In determining whether to certify a business, Commerce is required to consider at least the following factors:

- The business is in one of Wisconsin's targeted industries as determined by Commerce;
- High growth potential of the business;
- Management team experience;

- Financial need;
- Percentage of funds that will be spent in Wisconsin;
- Barriers to entry; and
- Innovative or novel product or process.

If Commerce determines that a business is eligible to be certified as a qualified new business venture, it is required to issue a certificate to the business and notify the Department of Revenue of the certification. The business is required to provide a statement in its private placement memorandum or other solicitation documents indicating that Commerce does not necessarily endorse the quality of management of the business and is not liable for damages or losses to an investor.

The Department is required to revoke the certification of a business as a qualified new business venture, and no new investment will qualify after a revocation, if the business does any of the following:

- Supplies false or misleading information to obtain certification;
- Fails to continue to meet the required conditions or qualifications for obtaining the certification;
- Has violated state, federal, or local laws or regulations related to the conduct of activities of the business; and
- Has been arrested for or convicted of a crime substantially related to the activities of the business.

The maximum investment in a qualified new business venture that qualifies for tax credits is limited to \$4 million. For each investment in the qualified new business venture, the angel investor, angel investment network, or certified fund

manager is required to provide Commerce with a copy of its investor agreement and proof of investment. The treasurer of the qualified new business venture must provide an attestation to the investment.

The Department is required to issue a verification form to the angel investor, angel investment network, or certified fund manager stating the amount of tax credits that may be claimed. To claim tax benefits, angel investors, angel investment networks, and certified fund managers must file a tax benefit claim, on a form acceptable to the Department of Revenue, that includes at least all of the following:

- A copy of the certification issued by Commerce to the business and fund manager, as applicable;
- A copy of a statement from Commerce verifying the tax benefit;
- The name, address, and social security number; and
- The date and amount of the investment.

Annually, no later than September 15, the Department of Commerce is required to submit a report to the chief clerk of each house of the legislature listing all of the following information:

- The total amount of angel investment and early stage seed investment tax credits verified per tax year;
- The name of each business in which investments qualifying for the tax credits were made, the amount of the tax credits, and the amount of investments for which tax credits were claimed; and
- Any other information Commerce considers reasonable to include.

Under provisions of 2003 Act 255, Commerce,

in cooperation with the Department of Financial Institutions (DFI) and the Board of Regents of the University of Wisconsin System, is required to provide education and other support to facilitate development of networks of bonafide angel investors. In addition, the Department is required, in cooperation with DFI and the Board of Regents, to annually conduct and publish the results of a study of Wisconsin businesses to determine new business formation trends, and identify obstacles faced by new Wisconsin businesses, and identify where changes in governmental policy may satisfy the needs of new Wisconsin businesses. As a part of this study, Commerce is required to conduct a survey of state businesses. Finally, Commerce is required to maintain a list of businesses certified as qualified new business ventures and certified investment fund managers, and permit public access to the lists through the Department's internet website.

Angel Investment Tax Credit

The angel investment tax credit was created under the state individual income tax by 2003 Wisconsin Act 255, and first applies to tax years beginning on or after January 1, 2005. The credit is equal to 12.5% of the claimant's bonafide angel investment made directly in a qualified new business venture in a tax year. The 12.5% tax credit can be claimed for two years, beginning with the tax year in which the claimant's initial investment was made. Consequently, the total tax credit is 25% of the amount invested. Unused credit amounts can be carried forward up to 15 years to offset future tax liabilities. The maximum amount of a claimant's total investment that may be used as a basis for an angel investment tax credit is \$500,000 for each investment made directly into a certified business. The maximum aggregate amount of angel investment tax credits that may be claimed for a tax year is \$3.0 million. The maximum total amount of tax credits that can be claimed for all tax years is \$30 million. Also, the maximum total amount of investment in a qualified new business venture that qualifies for tax credits is \$4 million.

Investments in a business prior to the time it is certified as a qualified new business venture are not eligible for tax credits. If investments have been made in a qualified new business venture by the angel investor or angel investment network prior to the certification of the business, no investment after December 31, 2005, in that qualified new business venture by the angel investor or angel investment network will qualify for tax credits. If a claimant holds an investment for which a credit is claimed for less than one year, the claimant is required to repay to DOR, in a manner prescribed by DOR, the amount of the credit that the claimant received that was related to the investment. If an investment is held for less than 12 months or is not used for legitimate business purposes, Commerce may revoke the verification of the tax credits and notify DOR.

DOR administers the angel investment tax credit and is authorized to take action, conduct any proceeding, and act as authorized under income and franchise tax provisions relating to timely claims, assessments, refunds, appeals, collection, interest, and penalties.

An investor claiming the angel investment tax credit must attest to being an accredited investor by filing a form prescribed by Commerce. Angel investment networks are required to provide documentation verifying that each member is an accredited investor. An angel investor or angel investment network is required to report to Commerce on the number and types of jobs created, how the investment funds were used, benchmarks achieved, commercialization success, and additional investment in the qualified new business venture. The report must be submitted annually for the shorter of the time in which the investor holds the investment, or 10 years. If Commerce determines that a document submitted under this requirement contains a trade secret or business secret, that document will not be subject to the right of inspection and copying. An angel investor or angel investment network must notify Commerce within 20 business days if the investment is with-

drawn or otherwise recovered, or if the qualified new business venture ceases operation or ceases operation in the state.

An "angel investor" is defined as an accredited investor that makes a bonafide angel investment. A bonafide angel investment means an investment made by an accredited investor or angel investment network in a qualified new business venture. An accredited investor is a high net worth individual who invests his or her own monies in a qualified new business venture and who, at the time the original investment is made, meets the following requirements:

- The investor is an individual with a net worth, or joint net worth, together with his or her spouse, in excess of \$1,000,000;
- The investor is an individual who had income in excess of \$200,000 in each of the prior two years, or a joint income with his or her spouse in excess of \$300,000 in each of those years, and reasonably expects to reach the same income level in the current year;
- The investor is not a person with proprietary decision making authority in the qualified new business venture in which the eligible investment is proposed, or related to such an individual. (Related means an immediate family member, such as spouse, grandparent, parent, sibling, child, stepchild, grandchild or a spouse of any of these.); and
- The investor is not an individual who owns, controls, or holds power to vote 10% or more of the outstanding securities of the qualified new business venture in which the eligible investment is proposed, or is related to such an individual.

An angel investment network is defined as an entity comprised of accredited investors organized for the sole purpose of making a bonafide angel investment in a single qualified new business venture.

Early Stage Seed Investment Tax Credit

Act 255 created the early stage seed investment credit under the individual and corporate income and franchise taxes that first applies to tax years beginning on or after January 1, 2005. The credit is equal to 25% of the claimant's initial investment paid in the tax year to a fund manager that the fund manager invests in a business certified by Commerce (qualified new business venture). Unused credit amounts can be carried forward up to 15 years to offset future tax liabilities. The maximum aggregate amount of early stage seed investment tax credits that can be claimed for a tax year is \$3.5 million. The maximum total amount of tax credits that can be claimed for all tax years is \$35 million. The maximum total amount of investment in a qualified new business venture that qualifies for tax credits is \$4 million. Up to \$2 million in aggregate investment by a certified fund manager in a qualified new business venture qualifies for tax credits.

To be eligible for an early stage seed investment tax credit, an investment in a qualified new business venture must meet all of the following criteria: (1) the initial investment by the fund manager with the qualified new business venture must occur after the date that the fund manager is certified by Commerce; and (2) the funds invested into the qualified new business venture must be clearly identifiable as being from cash invested in the fund managed by the certified fund manager after the date the fund manager is certified by Commerce.

Investments in a business prior to the time the business is certified as a qualified new business venture are not eligible for the early stage seed investment tax credit. If investments have been made in a business by the certified fund manager prior to the certification of the business, no subsequent investment in the qualified new business venture by the certified fund manager will qualify for the tax credits. If an investment is held for less than 12 months, or not used for legitimate business purposes, Commerce is required to revoke the verification of tax credits and notify DOR.

DOR administers the early stage seed investment tax credit and is authorized to take action, conduct any proceedings, and act as authorized under income and franchise tax provisions relating to timely claims, assessments, refunds, appeals, collection, interest, and penalties.

Certified fund managers that make investments in qualified new business ventures may claim the early stage seed investment tax credit. Fund managers seeking certification are required to submit an application to Commerce. In determining whether to certify an applicant as a certified fund manager, Commerce is required to consider all of the following factors:

- The applicant's experience in: (1) managing venture capital funds; and (2) investing in high growth, early stage businesses;
- The past performance of: (1) investment funds managed by the applicant; and (2) businesses assisted by the applicant;
- The level of investment in the investment fund to be managed by the applicant that it expects to invest in qualified new business ventures;
- Geographic distribution;
- Focus on targeted industries or target group members;
- Ability to access follow-up funding;
- Services provided;
- Commitment to Wisconsin; and
- Administrative and management fees.

If Commerce determines that the applicant meets requirements for certification, the Department will issue a certificate to the fund manager and notify the Department of Revenue.

Commerce is required to revoke the certifica-

tion of a fund manager, if the fund manager does any of the following:

- Supplies false or misleading information to obtain the certification;
- Fails to continue to meet the required conditions or qualifications for obtaining the certification;
- Has violated state, federal, or local laws or regulations related to the conduct of the activities of the fund; and
- Has been arrested or convicted of a crime substantially related to the activities of the fund.

Commerce must notify DOR of any revocation.

For each investment in a qualified new business venture, the certified fund manager is required to provide Commerce with a copy of the investor agreement and proof of the investment. The treasurer of the qualified new business venture must provide an attestation to the investment. At the time of the final closing, the certified fund manager is required to provide Commerce with a copy of the fund's private placement memorandum, capitalization table, and ratio of taxpaying and nontaxpaying investors. If the Department determines that the document contains a trade secret or a business secret, it is not subject to the right of inspection and copying. The fund manager must provide a statement in its private placement memorandum indicating that Commerce does not necessarily endorse the quality of management of the fund and is not liable for damages or losses to the investor.

A certified fund manager is required to submit an annual report to Commerce for the lesser of 10 years or the life of the fund, that indicates the number and type of jobs created, how the funds were used, benchmarks achieved, commercialization success, and additional investments in the qualified new business venture. If the Department determines the report contains a trade or business secret, it would not be subject to the right of inspec-

tion or copying. A fund manager is required to notify Commerce within 20 business days if the investment is withdrawn or otherwise recovered, or if the qualified new business venture ceases operation or ceases operation in the state.

Manufacturing Investment Tax Credit Certification

For tax years beginning before January 1, 2006, a credit against individual and corporate income and franchise taxes due may be claimed for the amount of sales and use tax paid for fuel and electricity used in manufacturing in Wisconsin (manufacturers sales tax credit). The tax credit provisions were first enacted beginning with tax year 1973. However, under the provisions of 2003 Wisconsin Act 99, the manufacturers' sales tax credit was replaced with a sales tax exemption, beginning January 1, 2006. Act 99, which was enacted in December, 2003, makes a number of other changes, including creating a manufacturing investment credit for businesses having more than \$25,000 in unused manufacturers sales tax credits as of January 1, 2006. The credit is available for tax years beginning after December 31, 2007.

The manufacturing investment credit is equal to the taxpayer's unused manufacturer's sales tax credits, and the credit must be amortized over 15 years, starting with tax years beginning after December 31, 2007. The amortized amount may be offset against the taxpayer's income or franchise tax and unused amounts may be carried forward up to 15 years to offset future tax liabilities. To qualify for the credit a business must be certified by Commerce and must attach a copy of the certification to the tax return.

Commerce is required to promulgate rules to certify businesses as eligible for the tax credit. The rules must require that a business meet one of the following conditions to obtain certification: (1) the

business has retained 100% of the businesses full-time jobs in Wisconsin from December 23, 2003. ("Full-time job" means a regular, nonseasonal full-time position in which an individual, as a condition of employment, is required to work at least 35 hours in a week); (2) the business's average annual investment in Wisconsin since January 1, 2003, is equal to no less than 2% of the total book value of the business's depreciable assets in facilities that are based in Wisconsin; (3) the business's average annual investment in Wisconsin since January 1, 2003, is no less than \$5,000,000; or (d) any other criteria that are promulgated by rule by Commerce in consultation with the Department of Revenue.

Certified Capital Companies Program

The certified capital companies program was created by 1997 Wisconsin Act 215. Under the program, an insurance premiums tax credit is provided for insurance company investments in certified capital companies. The certified capital companies are required to use these funds to provide capital to certain small businesses. If the certified capital companies fail to make required investments in these small businesses, the insurance companies must repay all or part of the credit. Commerce administers the program.

Insurance Premiums Tax Credit

The certified capital companies program provides a credit against insurance premiums taxes equal to the lesser of 10% of a certified capital investment or, the amount by which the sum of the claimant's certified capital investments and qualified investments exceeds the claimant's qualified investments in the tax year prior to the year in which the credit was first claimed. The credit can be claimed for 10 years, beginning with the year of investment. Unused credit amounts can be carried forward to offset future premiums tax

liabilities until the unused credit amounts are entirely offset against premiums tax liabilities. An insurer may sell credits to another insurer if the seller notifies the Office of the Commissioner of Insurance (OCI) of the sale and provides a copy of the transfer papers with the notification.

Certified Capital Investments

A certified capital investment is an investment in a certified capital company that is certified by Commerce, and that fully funds the investor's equity interest in a certified capital company, or a qualified debt instrument issued by a certified capital company, or both. A person may apply to make a certified capital investment in a certified capital company to the Department of Commerce. The aggregate of all investments of certified capital in a certified capital company made as part of the same transaction is an investment pool. Investments received more than 30 days apart are not considered part of the same investment pool.

A qualified debt instrument means a debt instrument that the certified capital company issues at par value or at a premium that: (1) has an original maturity date of at least five years from the date on which it was issued; (2) has a repayment schedule that is no faster than a level principal amortization; and (3) until the certified capital company may make distributions other than qualified distributions, the interest, distribution, or payment features of the debt instrument are not related to the certified capital company's profitability or the performance of its investment portfolio.

The maximum amount of total certified capital investments that can be made is \$50 million. Therefore, the maximum amount of insurance premiums tax credits that can be claimed in one year is \$5 million, and the maximum amount of total credits that can be claimed over 10 years is \$50 million.

For the first year of the program, an investor, together with affiliates, cannot have more than \$10

million in certified capital investments. Also, if, as a result of the total statewide (\$50 million) or individual investor (\$10 million) limits on certified capital investments, Commerce cannot certify the full amount of requested certified capital investments, the Department is required to allocate the available amount of certified capital investments (the difference between the current amount certified and maximum limits) based on the date of the application for certification of investments. If the available amount of certified capital investments is insufficient for all applications filed on the same day, Commerce prorates the available investment amounts based on the relative amount each investor has committed to invest in a certified capital company.

A certified investor cannot individually, or with or through one or more affiliates, own 10% or more of the equity securities in, be a general partner or manager of, or otherwise control the investments of, the certified capital company. However, a certified investor is not precluded from exercising its legal rights and remedies, including contractual interim management of a certified capital company, if that company defaults on its statutory or contractual obligations to the certified investor.

Certified Capital Companies

Persons must apply to Commerce in order to be certified as a capital company. The Department determines if the applicant meets the required conditions and approves or denies the application within 30 days of the date of the application. In order to be certified, a person is required to meet the following conditions:

- The person is a partnership, corporation, trust, or limited liability company (LLC), organized either for profit or not for profit, that has as its primary business activity the investment of cash in qualified businesses;
- The person has a net worth, at the time of application for certification, of at least \$500,000, and has at least \$500,000 in cash, cash equivalents,

and marketable securities;

- The directors, officers, general partners, trustees, managers, or members, or persons having a similar function, are familiar with statutory requirements related to certified capital companies;

- At least two officers, directors, general partners, trustees, managers, or members each have at least two years experience in the venture capital industry;

- The person includes, in any offering material involving the sale of securities, certain required statements;

- The person agrees to maintain an office and staff actively engaged in making investments in Wisconsin; and

- The person pays a nonrefundable application fee of \$7,500.

If the Department denies certification, it must include with the denial a detailed description of the grounds for refusal, along with suggestions for removing the grounds for denial. A certified capital company cannot be managed or controlled by, or have a general partner that is, an insurance company or an affiliate of an insurance company.

Operation of Certified Capital Companies

A certified capital company must make qualified investments from an investment pool following a specified investment schedule. A qualified investment is an investment of cash in a qualified business for the purchase of any of the following: (1) an equity security of the qualified business; or (2) a debt security of the qualified business, if the debt has a maturity of at least five years, and if one of the following conditions is met: (a) the debt is unsecured; or (b) the debt is convertible into equity securities or equity participation instruments such as options or warrants.

In addition, as a condition of the investment, and as long as the certified capital company holds the investment, the qualified business must:

- Not use the proceeds from the investment for the purpose of relocating its operations;

- Not relocate its headquarters out of Wisconsin;

- Maintain at least 75% of its employees in Wisconsin; and

- Maintain at least 75% of its employees at worksites that were maintained by the qualified business at the time the investment was made, unless the qualified business obtained an exemption from Commerce. Commerce cannot grant an exemption if it determines that the qualified business is locating the employees at new sites to take advantage of lower wages.

A business is a qualified business if all of the following requirements are met at the time that a certified capital company or affiliate makes its first investment in the business:

- The business is headquartered in Wisconsin and its principal business operations are located in the state;

- The business is in need of venture capital and is unable to obtain conventional financing. "In need of venture capital" means that the qualified business requires debt or equity funds, or both, for working capital, expansion, research and development, sales growth, or modernization of current operations. "Unable to obtain conventional financing" means the business has failed in an attempt to obtain funding from financial institutions, or that the business cannot reasonably be expected to qualify for such financing under the standards of commercial lending;

- The business has no more than 100 employees, at least 75% of whom are employed in

Wisconsin;

- During its two most recent fiscal years, the business had, together with all of its consolidated affiliates, an average annual net income of not more than \$2 million, after federal income taxes, excluding any carryover losses, and determined in accordance with generally accepted accounting principles;

- The business has, together with its consolidated affiliates, a net worth that is not in excess of \$5 million;

- The business is not predominantly engaged in professional services provided by accountants, lawyers, or physicians;

- The business is not engaged in the development of real estate for resale; and

- The business is not engaged in banking or lending, and does not make any loans to, or investments in, certified capital companies.

Prior to making an investment in a specific business, a certified capital company may request a written opinion from Commerce that the business in which it proposes to invest is a qualified business. If Commerce determines that the business meets the necessary requirements, the Department is required to issue a written opinion that the business is a qualified business.

Each investment pool of a certified capital company must make qualified investments according to the following schedule: (1) at least 30% of the investment pool must be placed in qualified investments within three years after the investment date for that investment pool; and (2) at least 50% of the investment pool must be placed in qualified investments within five years after the investment date of the investment pool.

The proceeds of all capital of a qualified investment returned to a certified capital company

may be reinvested and count against the qualified investment percentage requirements, and for eligibility for distributions and voluntary decertifications. Reinvestments of proceeds are counted toward the investment pool qualified investment, distribution, and volunteer decertification requirements as follows:

- 100% of the portion of proceeds of capital from a qualified investment returned to a certified capital company by a qualified business that are placed in new qualified investments count toward the percentage investment requirements, and eligibility for distributions and voluntary decertification; and

- 100% of the proceeds received from the sale of a qualified investment returned to a certified capital company that are placed in a new qualified investment in another qualified business count toward the percentage investment requirements, and eligibility for distributions and voluntary decertifications except: (1) 50% of the proceeds, up to a maximum of the investment cost, received from the sale of a qualified investment returned to a certified capital company within one year of the initial investment date, other than those sold as part of a public offering, that are placed in a new qualified investment count toward the percentage requirements; (2) proceeds from the sale of a qualified investment that are reinvested in that qualified business or affiliate of that business do not count towards the percentage investment requirements, if the reinvestment is made within one year of the original investment's return to the certified capital company; and (3) proceeds received from the sale of qualified investments that are returned to a certified capital company are presumed to be placed in subsequent qualified investments in the order received and before funds that have never been placed in qualified businesses. For the purpose of meeting the percentage investment, and distribution and voluntary decertification requirements, the cumulative amount of qualified investments made by the certified capital company are considered.

A certified capital company may not make a qualified investment in a business if, at the time of the investment, more than 15% of the total certified capital of the certified capital company would be invested in that business or affiliates of that business.

All certified investments in a certified capital company that are not invested in qualified investments may be held or invested as the certified capital company considers appropriate. However, a certified capital company may not make certified capital investments in an insurance company or its affiliate.

Distributions

A certified capital company is authorized to make distributions to its equity holders from its certified capital investment pool for a number of purposes. A certified capital company can make a distribution if it meets the requirements of a qualified distribution. A qualified distribution is a distribution or payment from its certified capital investment pool to its equity holders for any of the following:

- The costs of forming, syndicating, managing, or operating a certified capital company;
- An annual management fee that does not exceed 2.5% of the certified capital company's total certified capital;
- Reasonable and necessary fees paid for professional services related to the operation of the certified capital company; and
- A projected increase in federal or state taxes, including penalties and interest on those taxes, of the equity owners of the certified capital company if those amounts are related to the certified capital company's ownership, management, or operation.

A certified capital company may also make a

distribution if one of the following conditions is met:

- The Department of Commerce makes a written determination that the distribution may be made without adversely affecting the ability of the certified capital company to place, in qualified investments, an amount equal to 100% of the certified capital in the investment pool from which the distribution is to be made;
- The certified capital company has placed an amount equal to 100% of the certified capital investment in an investment pool in qualified investments; or
- The distribution is payment of principal or interest owed to a debt holder of a certified capital company, even if the debt holder is also a holder of equity in the certified capital company and the indebtedness is a certified capital investment.

Reporting Requirements

As soon as practicable after receiving a certified capital investment, a certified capital company is required to report the following to Commerce: (1) the name and tax identification number of the certified investor from which the certified capital was received; (2) the amount of the certified capital investment; (3) the date on which the certified capital investment was received by the certified capital company; and (4) the investment date for the investment pool of the certified capital.

Certified capital companies are required to submit information to Commerce indicating the amount of certified capital placed in qualified investments, and the amount of total certified capital provided by investors as of the scheduled dates by which the minimum percentage of the investment pool is required to be placed in qualified investments (30% within three years; 50% within five years). This information must be submitted to the Department within 30 days of the minimum investment dates. Also, a certified

capital company must notify Commerce of a violation of qualified investment requirements by a qualified business and of the facts that contributed to the violation as soon as practicable after receiving news of the violation.

Certified capital companies are required to pay an application fee of \$7,500 and an annual nonrefundable certification fee of \$5,000 to Commerce. Fees are placed in a program revenue appropriation for administrative expenses. An annual report must be filed with Commerce by each January 31 which includes: (1) the amount of the certified capital company's certified capital at the end of the preceding year; (2) whether the certified capital company has invested more than 15% of its total certified capital in any one person; and (3) all qualified investments that the certified capital company has made during the previous calendar year and the investment pool from which each qualified investment was made.

Certified capital companies must provide Commerce with copies of annual audited financial statements, including opinions of independent certified public accountants, within 90 days after the end of each fiscal year. The audits must address the methods of operation and conduct of the business to determine if the company is complying with statutory provisions and administrative rules, including determining compliance with investment requirements. The financial statements are required to be segregated by investment pool and audited on that basis.

Records Requirements

Each certified capital company is required to prepare and maintain, on a current basis, and make available to the Department of Commerce the following records:

- A complete executed copy of the application to become a certified capital company and any amendments and attached schedules;

- Files for each director and principal of the certified capital company containing evidence that at least two of the principals meet the requirements regarding two years experience in the venture capital industry;

- Records of all the securities issued by the certified capital company including information relating to the investor, type of security, amount of investment, and prospectus or offering material;

- Records relating to each certified investor of the certified capital company that include each investor's state and federal tax identification numbers and premium tax identification number;

- Records of each qualified business invested in by the certified capital company, including certain information relating to the business, such as its location and principal business operations, evidence that it meets the definition of qualified business, the amount and type of investment in the business, a copy of any contractual agreement, copies of any prospectus or offering material used in connection with the sale of securities by the business, and the number of jobs created by the qualified business;

- Organizational documents of the certified capital company and amendments based on the type of organization structure including, if applicable, articles of incorporation, articles of organization, certificate of limited partnership, partnership agreement, operating agreement, bylaws, and evidence of registration with the Department of Financial Institutions;

- Records relating to the certified capital of the certified capital company that is not invested in qualified businesses;

- Records relating to all distributions by the certified capital company including the dates, amounts, recipients, purposes, and reference to authority for such distributions; and

- Financial records, prepared in accordance with generally accepted accounting principles, that include: a journal or journals (including cash receipts and disbursements records) or other records of original entry forming the basis of entries in any ledger; general and auxiliary or other comparable records reflecting asset, liability, reserve, capital, and income and expense accounts; and all bills or statements or copies, paid and unpaid, relating to the business of the certified capital company.

These records must be retained by the certified capital company at a state office for at least 10 years while the certified capital company is certified and at least five years after decertification.

Compliance Reviews, Decertification, and Disqualification

The Department of Commerce is required to conduct an annual compliance review of each certified capital company to determine if the company is complying with the statutory requirements, to advise the company regarding the status of its investment as a qualified investment, and to ensure that no investment was made in violation of the statutory provisions. The Department may charge certified capital companies a reasonable fee to cover the costs of compliance reviews.

Commerce is authorized to disqualify an investment pool if determines that a certified capital company is not complying with the statutory schedule for qualified investments. The Department is required to send written notice to the certified capital company and OCI indicating that the investment pool has been disqualified.

Commerce is authorized to decertify a certified capital company for noncompliance with statutory investment, reporting, and fee requirements. A certified capital company can also be decertified if the company: violates material administrative rules provisions; misrepresents, conceals, or provides

false facts or statements in required applications, reports, or information; is convicted or pleads guilty or nolo contendere to a crime under state, federal, or international laws involving a fraudulent act related to operation of a certified capital company or in performance of fiduciary duties in another capacity; has been adjudicated liable in a civil action on grounds of fraud, breach of fiduciary trust, embezzlement, misrepresentation, or deceit; or fails to maintain requirements for certification as a certified capital company.

If Commerce determines that a certified capital company is not in compliance with the statutory provisions or has violated administrative provisions, the Department sends written notice to the company that it may be subject to decertification within 120 days from the date on which the notice was mailed, unless the company brings itself into compliance. If, at the end of the 120-day period, the certified capital company is not in compliance with the statutory provisions, Commerce must send a notice of decertification to the certified capital company and OCI.

If a certified capital company is decertified or an investment pool disqualified before the first stage of scheduled required qualified investments are made (30% in three years), any insurer that receives a credit based on its investment in that decertified capital company or disqualified investment pool is required to repay the credit and cannot claim future credits based on that particular investment. If a certified capital company complies with the first stage of scheduled qualified investment requirements for an investment pool, but is decertified or an investment pool is disqualified before the second stage of scheduled qualified investments are made (50% in five years), any insurer that received a credit based on its investment in the decertified capital company or disqualified investment pool is required to repay all credits claimed for the third tax year following the investment date of that investment and cannot claim credits for the following years based on the investment. Commerce is required to notify a certi-

fied investor when these recapture provisions no longer apply to a certified investment.

Voluntary Decertification

A certified capital company may voluntarily decertify itself if either of the following conditions are met:

- It has been at least ten years since the last certified capital investment was made in the certified capital company; or
- The certified capital company has placed an amount equal to 100% of the certified capital investment in qualified investments.

A certified capital company that voluntarily decertifies itself is required to send notice to Commerce that it was eligible for such action. The decertification is effective on the date the notice was received by Commerce.

Department of Commerce Evaluation

Beginning on March 31, 2000, and on March 31 of each even-numbered year thereafter, Commerce must submit a report to the chief clerk of each house of the Legislature that includes: (1) the total amount of certified capital investments made under the program and the amount made during the previous two calendar years; (2) statistical information on the qualified investments made by certified capital companies during the previous two years; and (3) the Department's assessment of the number of jobs created in Wisconsin during the previous two years as a result of the certified capital company program.

Program Activity

In October, 1999, Commerce certified \$50 million of certified capital investments in three venture capital firms. The three certified firms and their allocations are as follows: (1) Advantage Capital Wisconsin Partners I, Limited Partnership,

Madison, \$16.6 million; (2) Banc One Stonehenge Capital Fund Wisconsin, LLC, Milwaukee, \$16.6 million; and (3) Wilshire Investors, LLC, Mequon, \$16.6 million.

Through 2002, the three certified capital companies had made total qualified investments as follows: (a) Advantage Capital Wisconsin Partners I, Limited Partnership -- \$7.6 million in six investments; (b) Banc One Stonehenge Capital Fund Wisconsin, LLC -- \$5.1 million in six investments; and (c) Wilshire Investors, LLC -- \$5.2 million in four investments. The sixteen qualified investments were made in 14 qualified businesses. Two businesses received investments from two certified capital companies. (The year 2002 is the most recent for which data is currently available.)

A total of thirty-three insurance companies made certified capital investments of \$50 million in the three certified capital companies. The total amount of insurance premium tax credits claimed by these companies are: (a) 1999 -- \$4.8 million by 30 companies; (b) 2000 -- \$4.8 million by 33 companies; (c) 2001 -- \$4.8 million by 31 companies; (d) 2002 -- \$4.8 million by 33 companies; and (e) 2003 -- \$4.8 million by 32 companies.

Physician, Dentist, and Health Care Provider Loan Assistance Programs

The Department of Commerce is responsible for administering the Physician and Dentist Loan Assistance Program (PDLAP) and the Health Care Provider Loan Assistance Program (HCPLAP). The programs provide loan repayments for physicians, dentists, and certain health care professionals who practice in areas in the state which have a shortage of physicians, dentists or health care professionals.

Physician and Dentist Loan Assistance Program

PDLAP is a program that repays loans for phy-

sicians and dentists that agree to practice in medical or dental health shortage areas. The physician or dentist enters into an agreement with Commerce to practice at least 32 clinic hours per week, and 45 weeks per year for three years in one or more eligible practice areas in the state. The physician or dentist must also agree to care for patients who are insured or for whom health benefits are payable under Medicare, medical assistance, or any other governmental program. An eligible practice area is a primary health professional shortage area, a dental health shortage area, or mental health shortage area as defined under federal law, or an American Indian reservation or trust lands of an American Indian tribe.

Physicians and dentists may participate in an expanded loan assistance program funded with federal and matching state funding if they are a U.S. citizen and do not have a judgment lien against their property for a debt to the U.S. The physician or dentist must also meet the following requirements: (1) agree to practice at a public or private nonprofit entity in a health professional shortage area or dental health shortage area as defined under federal law; (2) accept Medicare assignment as payment in full for services or articles provided; and (3) use a sliding fee scale or a comparable method of determining payment arrangements for patients who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the physician's services.

Through the program, Commerce may repay, on behalf of the physician or dentist, up to \$50,000 over a three-year period in educational loans obtained by the physician or dentist from a public or private lending institution for education in an accredited school of medicine, dentistry, or for postgraduate medical or dental training. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$20,000 in the first year; (2) 40% of the principal up to \$20,000 in the second year; and (3) 20% of the principal up to \$10,000 in the third year.

Commerce is authorized to establish priorities among applicants using certain criteria, such as the need for medical care in the practice area, in cases where funding is insufficient to repay the loans of all applicants. Commerce can also impose penalties on physicians who breach loan repayment agreements.

As of June, 2004, 130 physicians and dentists had participated in the program. State funding for the physician and dentist and the health care professional loan assistance programs is provided through a single program revenue appropriation. Total base level funding for the programs is \$488,700 in tribal gaming compact revenues. In addition, \$200,000 in federal funding is provided.

Health Care Provider Loan Assistance Program

HCPLAP is a similar program to PLAP that repays the loans of health care providers (physician assistants, nurse-midwives, nurse practitioners, and dental hygienists) that serve in eligible practice areas. The health care provider must enter into a written agreement with the Department to practice at least 32 clinic hours a week, and 45 weeks per year in one or more of those areas. An eligible practice area is a health professional shortage area, a dental health shortage area, or area as defined under federal law or an American Indian reservation or trust lands of an American Indian tribe.

HCPLAP also provides an expanded loan assistance program funded with federal and matching state monies. To be eligible for loan repayment under this program, the health care provider must be a U.S. citizen and not have a judgment lien against their property for a U.S. government debt. The health care provider must also meet the following additional requirements: (1) practice at a public or private nonprofit entity in a health professional shortage area or dental health shortage area as defined under federal law; (2) agree to accept Medicare assignment as payment in full for services or articles provided; and (3) use a

sliding scale or comparable method of determining payment arrangements for patients who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the provider's services.

Under HCPLAP, Commerce repays, on behalf of health care providers, up to \$25,000 over a three-year period in loans obtained from a public or private lending institution for education related to the health care provider's field of practice. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$10,000 in the first year; (2) 40% of the principal up to \$10,000 in the second year; and (3) 20% of the principal up to \$5,000 in the third year.

Commerce is authorized to establish a priority system for loan repayments if funding is insufficient to repay all applicant loans. The Department can also impose penalties on individuals who break agreements.

As of June, 2004, 33 health care providers had participated in the program. As noted, total funding of \$488,700 PR from tribal gaming compact revenues is provided for the PDLAP and HCPLAP.

Mining Economic Development Grants and Loans

The Mining Economic Development Grant and Loan program was created by the 1997-99 biennial budget to provide grants and loans to businesses, governmental entities, local development corporations, and community-based organizations that conduct economic development activities in areas that are affected by mining. The Development Finance Board is authorized to award mining economic development grants and loans. One-time funding of \$200,000 SEG from the investment and local impact fund (ILIF) was authorized. A sepa-

rate program revenue appropriation was created for repayments of grants and loans. Amounts received in this appropriation could also be used to fund mining economic development grants and loans.

An area affected by mining is an area in which all of the following apply: (1) public and private infrastructure is or was provided to support mining activity; (2) public funds are or were expended for costs associated with mining activity; and (3) construction of a mine has commenced and economic diversification is necessary to reduce dependence on mining activity for the long-run growth and stability of the area. A business is a company located in Wisconsin, a company that has made a firm commitment to locate a facility in the state, or a group of companies of which at least 80% are located in Wisconsin. A local development corporation includes the elected governing body of a federally recognized American Indian tribe or band in the state or any business created by the elected governing body. A local development corporation also is a nonprofit business organized under state law that operates within specific geographic boundaries and that promotes economic development within the specific geographic area. A community-based organization is an organization that is involved in economic development and helps businesses that are likely to employ persons. Mining is metallic mining.

In awarding mining economic development grants and loans, the Board must consider all of the following:

- The extent to which the project will retain or increase employment in the state;
- The extent to which the project will contribute to the state's economic growth and the well being of state residents;
- Whether the project will be located in an area of high unemployment or low average income;

- The financial soundness of the business;
- The intention of the recipient to repay the grant or loan;
- Whether the project will be located in a targeted area; and
- The extent to which the business or other entity that receives the award is likely to provide stable, long-term employment opportunities to reduce the area's dependence on mining.

Mining Economic Development Grants

Purpose. To provide financial assistance to economic development activities in areas affected by mining.

Eligible Applicants. Businesses, cities, villages, towns, counties, local development corporations, and community-based organizations.

Special Requirements. The Board cannot award a grant or loan if the proceeds will be used to establish or expand a business that is solely dependent on mining activity.

Financing/Eligible Uses. The Board is authorized to make grants or loans to specified entities, up to a maximum amount for each purpose as follows:

- To businesses, to finance costs associated with start-up, maintenance, or expansion in an area affected by mining. The maximum grant or loan for

is \$100,000;

- To cities, villages, towns or counties, for economic diversification plans. The maximum grant or loan is \$100,000;

- To cities, villages, towns, counties, community-based organizations, and local development corporations, to establish revolving loan funds to finance businesses that create long-term employment opportunities. The maximum grant or loan is \$200,000;

- To community-based organizations or local development corporations, to conduct economic development projects that create long-term employment opportunities and that provide assistance to businesses or entrepreneurs. The maximum grant or loan is \$100,000; or

- To businesses, to obtain professional services that are related to business start-ups, maintenance or expansions, including assistance with feasibility studies or financial marketing plans, and managerial assistance after start-ups or expansions. The maximum grant or loan is \$15,000.

In 1998-99, the Development Finance Board made the following awards: (1) \$100,000 to the Ladysmith Community Industrial Development Corporation; and (2) \$100,000 to the City of Ladysmith. These awards exhausted the one-time funding of \$200,000. There is no base level funding for the program.

CHAPTER 2

TECHNICAL ASSISTANCE PROGRAMS

This chapter describes a variety of programs under which Commerce staff provide technical assistance on economic development matters to individuals, businesses, organizations, and local governments in the state. In the next sections, major technical assistance programs are individually summarized, including: (1) the Division of International and Export Services; (2) the Business Development Assistance Center; (3) Wisconsin Main Street program; and (4) American Indian economic assistance. Following that, there is a compendium of a number of other technical assistance activities carried out by Commerce staff.

Division of International and Export Services

The Division of International and Export Services primarily assists Wisconsin small and medium-sized businesses in increasing their sales in the international marketplace. Division staff help state firms assess the demand for their products outside the United States, help plan a systematic approach to international markets, and introduce them to potential customers, distributors, partners and service providers. Services are provided both through activities in Wisconsin and overseas offices.

Wisconsin-Based Services

General services provided by the Division staff based in Wisconsin include:

- Consulting one-on-one with new and experienced exporters regarding documentation and regulations, logistics, pricing and payment

questions, and foreign business practices affecting promotions and distribution;

- Providing marketing research direction and advice;
- Disseminating export sales leads;
- Introducing exporters to private sector service providers;
- Locating agents and distributors;
- Arranging trade show participation;
- Organizing trade missions;
- Speaking at seminars and other information-sharing events;
- Generating lists of Wisconsin exporters; and
- Maintaining a website with links to online information of use to Wisconsin exporters.

Additional trade promotion activities include the organization of Governor-led trade missions and the sponsoring of group participation in trade events outside the United States. The Division also administers the Wisconsin Development Fund (WDF) trade show grant program.

The Division has four international outreach consultants based in Pewaukee, Eau Claire, Madison, and northeastern Wisconsin to assist firms that have been successful in the domestic market to expand their efforts into the international arena. Outreach consultants work individually

with businesses interested in initiating or expanding their international efforts. Each consultant has an assigned territory and can meet with interested businesses at their facilities or in their offices. The assistance offered by outreach consultants includes:

- Technical assistance for all aspects of the export process;
- Explanations of foreign business practices and channels of distribution;
- Market research advice and direction;
- Locating agents or distributors through the Division's network of international representatives; and
- Providing emergency assistance in solving export problems.

Three area specialists based in Madison specialize in specific regions of the world and assist exporters in understanding the business culture of another country and how best to respond to foreign inquiries. They also identify import aspects of the market conditions of targeted countries. Area specialists travel to their markets for trade shows and trade missions, and have developed individual networks of useful business contacts.

The Division is authorized to charge fees for services that are provided. These are generally related to the recovery of costs associated with trade shows and trade missions. The fees collected are also used to fund a trade show specialist position. This person manages recruitment and logistical services related to trade shows and missions. Approximately \$163,500 in program revenues was collected in 2003-04 under the fee-for-service program.

Overseas-Based Services

The Division of International Trade and Export

Services contracts to operate a trade office in Mexico City, Mexico. Under the auspices of the Council of Great Lakes Governors, the Division maintains a trade office in Shanghai, China, and shares a trade office in Toronto, Canada, with Pennsylvania and Indiana, and in Sao Paulo, Brazil, with Indiana, Ohio, and New York. The Division also contracts for export assistance in Europe with Taskforce Europe Services, which is headquartered in The Hague, Netherlands. The organization also has affiliate offices, through its partner company the York Group, in the United Kingdom, Germany, France, Norway, Spain, Italy, and Switzerland.

However, Commerce does not have its own staff assigned to foreign trade offices. The trade offices supplement the international counseling offered by Division staff in Wisconsin, conduct market research and viability analyses, mail campaigns, conduct agent/distributor or client/end user searches, arrange appointments for visiting Wisconsin business people, conduct background and credit checks, and assist with trade shows and missions. Differing business practices and varying cost structures in different markets prevent the Division from offering completely uniform services in the countries in which it has a presence.

The dedicated trade office in Mexico provides services only to Wisconsin companies. Most of the funding comes from Commerce, but the office charges companies additional fees for the most intensive services. The shared offices provide services only to firms from the participating states, and the states share in the cost of operating the foreign offices. The Division pays for the contract with Taskforce Europe for services provided. The organization may have existing clients from other states or countries.

Foreign trade offices or service contract amounts for 2004-05 and the date of opening, or initial contract, follow:

	Contract Amounts	Opening or Initial Contract
Trade Offices		
Mexico City, Mexico	\$168,200	1994
Toronto, Canada	63,750	1990
Sao Paulo, Brazil	54,200	1997
Shanghai, China	50,000	2003
Europe* (The Hague, Netherlands)	<u>100,000</u>	2003
Total	\$436,150	

*Services contract.

Business Development Assistance Center

The Business Development Assistance Center assists individuals and businesses that request information on the process of obtaining state permits required for a particular business activity. The Permit Information Center was created in 1983 Wisconsin Act 91. The Center was changed to Bureau status (the Bureau of Permit and Business Assistance) in 1995 Wisconsin Act 27. The 1997-99 biennial budget changed the Bureau into the Business Development Assistance Center.

The types of assistance provided by the Center include:

Information. The Center with its Business Hotline serves as a state clearinghouse for information on permits and licenses issued by state agencies. The center is required to assist any business requesting information about: (1) permits and licenses that are required for a particular business activity; and (2) the application process, including criteria applied in making a determination on an application and the time period on which a determination is made. The assistance provided may include:

- Arranging a meeting between the business and staff of the appropriate agency to obtain information;

- Obtaining information and applications from the regulatory agency and providing that information and appropriate permit and license applications to the business.

The Center has a computerized inventory of permits and related forms required for state businesses. However, it does not issue any permits or attempt to interpret regulations of state agencies. The Department's toll-free telephone line offers assistance to people who are in business or who want to go into business in Wisconsin. Callers are either assisted directly by staff or referred to the appropriate person within the Department or other agencies. The Center is required to give priority to new and expanding businesses.

Expediting. The Center expedites the process of permit application, review and issuance. Staff attempt to resolve any misunderstandings between the applicant and the relevant state agency and to prevent or mitigate delays in the application process. The Center is authorized to request assistance from the Secretary of Commerce and the head of the appropriate agency and, if necessary, the Governor.

Monitoring and Referrals. The Center monitors the status of business permit applications and periodically reports the status of the application to the business.

Advocacy. The Center is required to provide advocacy services before regulatory agencies on behalf of permit applicants. In addition, the Center is authorized to advocate legislative changes to improve and expedite the issuance of permits.

Mediation and Dispute Resolution Services. The Center is authorized to provide mediation or dispute resolution services to help resolve a dispute between a regulatory agency and a person applying for a permit. However, providing these services does not affect any rights that a person has to a contested hearing under state law.

Small Business Ombudsman. Through the small business ombudsman function, the Department provides small business with information about financing alternatives and government regulations. The office also advocates special consideration for small business in administrative rules.

Small Business Clean Air Assistance Program. The program provides assistance to small businesses that is related to conforming with the federal Clean Air Act. Program staff act as a liaison between small businesses and state regulators. Staff also provide permitting and compliance information, prepare and distribute publications and perform outreach activities.

The Center is authorized to charge for publications, information and services. The amount charged cannot exceed the actual cost of the information or services provided. Beginning in 2003, and biennial thereafter, the Center is required to prepare a report describing its activities, including process recommendations and summary data.

Wisconsin Main Street Program

The Wisconsin Main Street program was created in 1987 to provide technical assistance to help communities plan, manage and implement programs to revitalize their downtown business areas through comprehensive economic redevelopment and historic preservation.

The Wisconsin Main Street program supports local Main Street groups in structuring programs following a four-point approach designed by the National Main Street Center (a program of the National Trust for Historic Preservation). That approach emphasizes:

- Strong organization;
- Aggressive and varied promotions and marketing;

- Attention to design and historic preservation; and

- Economic restructuring of the commercial district.

Up to five municipalities are selected annually for the program based on review and ranking of applications. Municipalities include cities, villages and towns.

Applications must include the following:

- A description of the general characteristics of the municipality;

- A description of the economic activity and the businesses in the business area and surrounding areas;

- A description of the business area that demonstrates it is a cohesive and recognizable district of historical significance with distinctive features or architectural character;

- A description of the private and public sector interest in and commitment to the preservation and revitalization of the business area proposed by the municipality;

- A description of the potential private sector investment in the business area proposed by the municipality;

- Evidence of local organization and financial commitment to fund a local main street program, provide support for business area projects, and employ a program manager for not less than three years;

- Evidence of local assistance to pay for the services for a design consultant recommended by the council;

- A description of the municipality's need for the program and its expected impact on the

municipality;

- A description of local commitment to share the knowledge the municipality gains through the main street program with other municipalities;
- Evidence of local organizational capacity to implement a local main street program; and
- Any other information the Department may require.

For the purpose of selecting municipalities to participate in the program, the Department considers the following criteria:

- *Need.* The need for the program in the municipality and its expected impact on the municipality.
- *Organizational Capability.* The capability of the applicant to successfully implement the Main Street program.
 - *Public Sector Commitment.* The level of public sector interest and commitment.
 - *Private Sector Commitment.* The level of private sector interest and commitment.
 - *Financial Capacity.* The financial capability to employ a full-time manager (at least half-time, if the population of the community is 3,500 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 \$60,000 annually (including in-kind donations) is expected of applicants hiring a full-time manager and a minimum budget of \$40,000 annually is expected of applicants hiring a part-time manager.
 - *Physical Capacity.* The cohesiveness, distinctiveness, and variety of business activity conducted in the proposed Main Street Program area.
 - *Historical Identity.* The historic significance of the proposed area and the interest in and

commitment to historic preservation.

If, after comparing the application, the Department is unable to distinguish between two or more of the highly rated municipalities then, to distinguish one applicant from another, the department considers the following:

- *Geographical Variety.* The contribution to the geographic variety of the program made by the applicant.
- *Population Diversity.* The contribution to the variety of community size in the program made by the applicant.

Commerce provides technical assistance to participants and nonparticipants.

Participants. Commerce staff provide and coordinate the following types of intensive training, workshops, and on-site consulting to local programs:

- *Consultation with business owners and managers.* Existing and potential business owners in Main Street districts are provided on-site confidential counseling services on areas such as marketing, business planning, advertising, financial analysis and inventory control. Follow-up assistance is also provided;
- *On-site assistance in communities to develop a workplan.* Assistance to communities to identify goals and objectives, establish priorities, and develop projects for the year;
- *Manager orientation and training sessions.* Commerce staff provide a two-day orientation and training session to new Main Street managers and quarterly workshops for managers and volunteers;
- *Onsite technical assistance targeted to local needs.* Staff visits focused on business recruitment, merchandising, volunteer development, fund raising and preservation planning;

- *Design assistance.* Assistance 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;

- *Volunteer training programs.* On-site training to committees and individuals in Main Street communities focusing on a four-point approach to downtown revitalization and specific topics;

- *Downtown market analysis.* Commerce staff with the assistance of 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;

- *Year-end assessment.* Commerce staff assist Main Street communities in assessing progress and addressing specific issues; and

- *Resource materials.* Commerce provides Main Street communities with resource material such as manuals and slide programs on downtown revitalization topics.

Commerce also contracts with the National Main Street Center for business area revitalization services and coordinates state and local participation in the programs offered by the National Center.

Non-participants. Commerce provides technical assistance and information by telephone and mail on the revitalization of business areas to municipalities not participating in the program. Limited training is provided through an annual, two-day statewide conference and occasional on-site visits to communities.

The Main Street program is staffed by 4.5 positions: a state coordinator, an assistant coordinator, a business and management specialist, a design specialist and half of a clerical position.

Summary of 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

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

American Indian Economic Development Program

The American Indian Economic Development Program was created in 1991. The program has provided tribal gaming funding for a Department liaison and two grant programs. The Department's American Indian liaison provides technical and economic development assistance to American Indian entrepreneurs and tribal communities. The liaison is the main state government contact for Wisconsin's American Indian tribes, tribal communities, and entrepreneurs regarding business and economic development activities.

The liaison is responsible for: developing, coordinating and implementing new economic development policies and programs to strengthen tribal economics; developing and coordinating programs, policies and activities that improve economic development and relationships between tribes and surrounding communities; assisting American Indian entrepreneurs in gaining information and access to state economic and community development programs; and providing specific data analysis, training or technical assistance required to further economic development or business recruitment in tribal communities. The liaison also administers the Department's American Indian and technical assistance grant programs and works with the tribal liaison and small business technical assistance coordinator to assist American Indian entrepreneurs.

The Department also administers two grant programs which provide assistance to the Great Lakes Inter-Tribal Council (GLITC)--an economic development liaison grant program and an economic development technical assistance grant.

Economic Development Liaison Grant Program. Prior to the 2003-05 biennial budget act, the economic development liaison grant program provided \$25,000 in tribal gaming funding to GLITC to partially fund a Council liaison between American Indians, Indian businesses and Indian tribes interested in targeted economic assistance programs and the agencies and organizations that administer the programs. However, as passed by the Legislature, the 2003-05 budget bill repealed the liaison grant program and deleted the \$25,000 in tribal gaming funding used for the grant. The Governor vetoed related provisions in the bill to eliminate repeal of the economic development liaison grant program and associated appropriation. However, the veto did not restore funding for the program. In his veto message, the Governor indicated that retaining the program authority would allow Commerce to request funding at a future date.

The tribal economic development liaison acts as a spokesperson for the tribes on certain economic development issues, assists in organizing and implementing joint projects, and acts as a contact between the tribes and government agencies.

A targeted economic assistance program is a program or form of assistance available to an American Indian, an Indian business, or an Indian tribe that relates to any of the following:

- Economic development;
- Community development;
- Increasing employment among American Indians;
- Minority business certification under state law; and
- Other assistance Commerce considers relevant.

Technical Assistance Grant. The technical assistance grant program provides partial funding to the Great Lakes Inter-Tribal Council for a position and program that provides technical assistance for economic development on or near American Indian communities. The technical assistance position provides direct technical assistance to eligible businesses. The individual also represents the tribes on various councils and committees and participates in seminars, conferences, and other events promoting economic development for tribal communities or individual American Indian Entrepreneurs.

Technical assistance includes: (1) management assistance to existing businesses; (2) start-up assistance to new businesses including developing business and marketing plans, and assisting in securing development financing; and (3) assistance to new and existing businesses in gaining access to tribal, state, and federal business assistance and financing programs. GLITC is prohibited from

providing technical assistance for commercial gaming and gambling activities under this program. The technical assistance position provides direct technical assistance to an average of 20 businesses a year.

Entities that are eligible for technical assistance are: tribal enterprises; American Indian businesses located on tribal lands; and other American Indian businesses that directly benefit the economies of tribal communities.

A tribal enterprise is a business that is: (1) at least 51% owned and controlled and actively managed by the governing body of one or more American Indians tribes; and (2) currently performing a useful business function.

GLITC must prepare an annual report on the program to be submitted to Commerce.

Funding of \$94,000 PR (from tribal gaming compact revenues) is provided in 2004-05 in Commerce for making grants to GLITC to finance this program.

Other Technical Assistance Activities

Statewide Business and Community Development. An area development manager is located in each of seven regions covering the entire state. These managers work directly with companies on start-up and expansion plans and provide information on financial resources, environmental regulations, buildings and sites, labor availability and wage rates, utilities, taxes, and transportation. These individuals visit employers in their areas, including those that are struggling because of declining sales, declining employment or other factors.

Brownfields Development Consultant. The brownfields development consultant provides information and assistance related to brownfields

redevelopment. The development consultant's responsibilities include: (1) promoting brownfields redevelopment projects and related educational activities; (2) coordinating interagency activities and responsibilities related to brownfields redevelopment projects; (3) identifying and resolving regulatory and liability issues related to environmentally contaminated properties; and (4) administering the brownfields grant program.

For the purpose of administrative responsibilities, "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.

Office of Science and Technology. The Office of Science and Technology (OST) provides services to firms in the science and technology fields, including assistance in locating resources, capital, and research partners. A science and technology consultant provides services to individual firms that contribute to the development and growth of the high tech businesses. The program interacts with local and regional technology development groups and organizations. OST also administers the science and technology program which is designed to encourage and stimulate the start-up, modernization, and expansion of high-tech businesses in Wisconsin. The components of the science and technology program include:

- The new Wisconsin Technology and Entrepreneurs Council;
- One-on-one consulting for technology-based entrepreneurs; and
- Financing through Wisconsin Development Fund grants and loans.

Women's Business Services. The Department provides on-site or telephone consultation to women business owners concerning financing and technical assistance that is available to such businesses. The Department also maintains a database

of women-owned businesses in the state, provides marketing services and financial analyses to women-owned businesses, and conducts seminars and conferences on economic development for women entrepreneurs.

Entrepreneurial Assistance. The Bureau of Entrepreneurship assists entrepreneurs and encourages the development of new businesses with significant growth potential by providing referral services, and linking entrepreneurs, government funding and technical assistance programs, and private investors.

Dairy 2020. The Dairy 2020 initiative was organized to identify opportunities for strengthening the dairy industry and to develop specific strategies to increase dairy farm profitability and dairy industry competitiveness. The initiative is designed to bring together representatives from dairy industry producers and processors, supporting industries, state government, and the UW System to identify industry objectives and develop strategies for achieving them. Commerce, along with the Department of Agriculture, Trade and Consumer Protection, and the UW are the lead state agencies in the initiative. The Dairy 2020 Initiative consists of three components:

- The Dairy 2020 Council is comprised of twelve dairy producers, six industry representatives, two legislators and six public representatives. Commerce staffs the Council;
- The Dairy 2020 early planning grant program included in the Department's Rural Economic Development Program; and
- The Milk Volume Production program to provide qualifying dairy producers with financing to fill the equity gap, and partner with local communities to increase dairy production in Wisconsin. The program is funded through the Community Development Block Grant economic development program.

The Dairy 2020 initiative focuses on improving three areas that are critical to the dairy industry:

- Business climate;
- Businesses management skills of dairy business owners; and
- Infrastructure supporting the industry (such as highways, and the dairy processing service and supply businesses).

Commerce received funding beginning in the 1995-97 biennial budget for a Dairy 2020 director and related activities. The Executive Director and Dairy 2020 Council have consulted with the Department and assisted in marketing Commerce financial and technical assistance programs to the industry. As discussed previously, RED funding has been directed toward agricultural projects as a result of Dairy 2020. The Department develops and distributes promotional materials.

WisCon Safety Consultation Program. The program is funded 90% with federal grant monies and provides services to help businesses comply with federal Occupational Safety and Health Administration (OSHA) safety regulations. Consultants assess existing safety programs, evaluate work practices, identify assistance, and provide training for managers and employees. The consultants are separate from the OSHA enforcement function, and do not issue citations, propose penalties, or report safety violations to OSHA. The business must commit to the timely correction of any serious deficiencies discovered during the consultation visit.

WisCon staff is located in offices in Waukesha, Chippewa Falls, and LaCrosse.

Minority Business Certification Program. The program certifies the minority status and capability of qualified businesses so they are eligible to contract with state and local government agencies.

ECONOMIC DEVELOPMENT PROMOTIONAL ACTIVITIES

Public Information Activities

Commerce promotes its programs and activities and other aspects of economic development in the state 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 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 all inventory of available industrial sites and buildings, developing community profiles, and responding to inquiries.

Forward Wisconsin

Forward Wisconsin, a 501(c)(3) nonprofit corporation created in 1984 to attract business to Wisconsin is not a part of Commerce. However, its activities are discussed because: (1) the state provides GPR funding to Forward Wisconsin, which is channeled through Commerce; (2) both Commerce and Forward Wisconsin are involved in

promoting the state's economic development; and (3) the Secretary of Commerce serves on Forward Wisconsin's Board of Directors. State funding for Forward Wisconsin was \$320,000 GPR in 2004-05.

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.

Forward Wisconsin focuses on marketing Wisconsin to out-of-state companies to attract new businesses, jobs, and increased economic activity to the state. Forward Wisconsin has a staff of five full-time and one contract positions, offices in Madison, Eau Claire, and Milwaukee, and an annual budget of about \$1.0 million.

Forward Wisconsin works to promote the state's image, project the state's positive business climate, and to attract industry and workers to Wisconsin. Traditionally, Forward Wisconsin has used a range of marketing activities; (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 has also provided related information on the internet through its website.

In 2004, Forward Wisconsin has engaged in new activities:

- The organization's private sector leadership formed a Fund Development Committee with the goal of generating more resources for Forward Wisconsin that will be used for new marketing programs;

- A new earned media campaign was launched. Development Counselors International (DCI), a world-leading firm in marketing places, was secured as a partner to communicate Wisconsin's business advantages. The program includes an ongoing earned media and outreach effort to journalists and business site election consultants. DCI works to gain editorial placements through its network with national, international, and regional media. The program also involves journalist visits to Wisconsin, and familiarization tours for corporate location executives and consultants. Finally, DCI provides ongoing advice and counsel to Forward Wisconsin; and

- Development of a new intranet website to: incorporate a statewide database of site, building, and community information; use data to meet International Development Council Site Selection Data Standards; build in geographic information system technology; and feature a content manage-

ment system for instant updates. The website enables Forward Wisconsin to consolidate all its websites into one easy-to-navigate web portal, and offers downloadable fact sheets and publications to economic development professionals.

Forward Wisconsin typically conducts two major annual prospecting trips to Minneapolis/St. Paul and 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 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 international development.

APPENDIX I

Wisconsin Development Fund Awards July 1, 2003 through June 30, 2004

Major Economic Development

Recipient (Location)	Use of Award	Award
General Motors Corp. (Janesville)	Grant for training employees to upgrade skills.	\$2,600,000
WISys Technology Foundation, Inc. (Milwaukee)	Grant to assist company in providing technology transfer services to new economy/high-tech, high wage state businesses.	600,000
Pacal Industries, LLC (La Crosse)	Loan for working capital to increase operations and create 33 new jobs.	350,000
	Subtotal	\$3,550,000

Customized Labor Training

Snap-On, Inc. (Milwaukee)	Grant to train 133 employees. These positions were previously at the Kenosha facility and moved to Milwaukee.	\$300,000
Stora Enso North America Corp. (Kimberly)	Grant to train 154 employees on new paper and wet lap machines.	265,200
Stora Enso North America Corp. (Wisconsin Rapids)	Grant to train 161 employees on upgraded equipment.	250,000
Aacer Flooring, LLC (Peshtigo)	Grant to train 88 employees (three new) as part of an upgrade of production facilities.	200,000
Brunswick Corporation (Fond du Lac)	Grant to train 78 employees as part of a reengineering process.	197,000
Tufco Technologies, Inc. (Green Bay)	Grant to train 76 employees (15 new).	161,600
Appleton Coated, LLC (Combined Locks)	Grant to train 99 employees on new equipment.	111,000
Stora Enso North America Corp. (Wisconsin Rapids)	Grant to train 70 employees (four new) on new equipment.	91,100
Don Evans, Inc. (Oshkosh)	Grant to train 88 employees (36 new) on new injection molding plastic manufacturing equipment.	72,084
Manitowoc Ice, Inc. (Manitowoc)	Grant to train 61 employees (six new) as part of a consolidation of assembly lines and new product manufacturing.	70,150
Green Bay Converting, Inc. (Green Bay)	Grant to train 30 employees (17 new) on new equipment.	51,150
Stora Enso North America Corp. (Wisconsin Rapids)	Grant to train 33 employees on the use of new equipment at Biron plant.	50,100
Blenker Companies, Inc. (Amherst)	Grant to train 52 employees (35 new) on new equipment.	50,000
K & L Tooling, Inc. (Port Washington)	Grant to train 33 employees (18 new)	44,719
Imperial Lithographing Corporation (Milwaukee)	Grant to train 31 employees as part of ISO 9001 certification.	44,400

Recipient (Location)	Use of Award	Award
Muza Metal Products Corporation (Oshkosh)	Grant to train 33 employees on new equipment.	\$38,565
Servo Motors and Drives, Inc. (Milwaukee)	Grant to train 16 employees as part of ISO 9002 certification.	34,094
Louisiana-Pacific Corp. (Tomahawk)	Grant to train 45 employees (six new) as part of an expansion of the company's manufacturing capabilities.	33,859
Seneca Foods Corp. (Baraboo)	Grant to train nine new employees.	31,250
Custom Wire Technologies, Inc. (Milwaukee)	Grant to train 17 employees (nine new) as part of ISO 9001/2000 certification.	29,225
Barton Products Corp. (West Bend)	Grant to train 10 employees (four new) on new manufacturing technology for precision parts and components.	25,000
Ryeco, Inc. (Beloit)	Grant to train 14 employees and fund registration costs that will enable company to become ISO certified.	24,250
PROFAB Corp. (Waukesha)	Grant to train 20 employees as part of ISO 9001/2000 certification.	23,131
Stora Enso North America Corp. (Stevens Point)	Grant to train 73 employees on automatic bale de-wiring and continuous repulper feed line equipment.	22,670
AW Company (Franksville)	Grant to train 11 employees as part of ISO certification.	21,130
Reich Tool & Design, Inc. (Menomonee Falls)	Grant for ISO 9001/2000 certification.	20,000
Accurate Alignment and Frame Service, Inc. (Appleton)	Grant to train 42 employees (one new) to attain IOS 9000/2000 certification.	18,838
Marlin Technologies, Inc. (Horicon)	Grant for ISO certification.	17,169
H.E. Tool & Die Corp. (West Bend)	Grant to train eight employees as part of ISO 9001 certification.	16,850
Megomat USA, Inc.	Grant for ISO certification training.	16,000
Journeyman Machine and Supply Co., Inc. (Fond du Lac)	Grant to train 11 employees for ISO certification.	15,350
Ultratech Tool & Design, Inc. (Fond du Lac)	Grant to train 11 employees as part of ISO and QS9000 certification.	13,412
Toolcraft Co., Inc. (Germantown)	Grant to train five employees to operate a new high speed milling machine.	12,000
Swanson Wiper Corp. (Oshkosh)	Grant to train 10 employees (three new) on new production equipment.	11,948
Dimat , Inc. (Cedarburg)	Grant to train five employees for the plant to become ISO 9001/2000 certified.	10,397
	Subtotal	\$2,393,641

Business Employees' Skills Training

Recipient (Location)	Use of Award	Award
Medalist Laserfab, Inc. (Oshkosh)	Grant to provide employee training to upgrade skills of company's workforce.	\$10,000
Merrill Power Coatings, Inc. (Merrill)	Grant to train 16 employees for ISO certification.	10,000
Man and Material Lift Engineering, LLC (Cudahy)	Grant for ISO 9000 training and certification.	9,675
JHL Mail Marketing (Stevens Point)	Grant to train employees on new processing equipment.	7,700
Helicopter Specialties, Inc. (Janesville)	Grant for training to upgrade the skills of its workforce.	7,500
Uniplex Corp. (Pewaukee)	Grant to train employees on robotics and vision system programming and implementation.	6,345

Recipient (Location)	Use of Award	Award
The Laser Shop, Inc. (Germantown)	Grant to train seven employees in Value Stream Map and Facilitated Application.	\$5,000
Acry Fab, Inc. (Sun Prairie)	Grant to train five employees to upgrade the skills of the workforce.	5,000
American Laser Products, Inc. (Middleton)	Grant to train six employees to improve productivity.	5,000
Cardinal Industries, Inc. (Milwaukee)	Grant for ISO training of employees.	4,000
	Subtotal	\$70,220

Technology Development

Recipient (Location)	Use of Award	Award
Genetic Assemblies, Inc. (Madison)	Loan for continued research and development for a prototype.	\$350,000
BellBrook Labs, LLC (Madison)	Loan to develop proprietary assays for drug discovery market.	250,000
ioGenetics, LLC (Madison)	Loan for research and development.	225,000
Wisconsin Small Engine Consortium (Kohler)	Loan for working capital.	200,000
NeoClone Biotechnology International, LLC (Madison)	Loan for working capital necessary to further develop monoclonal antibody technology.	150,000
Marvel Medtech, LLC (Cross Plains)	Loan for working capital during product development, clinical trials, and testing, and for equipment.	75,000
	Subtotal	\$1,250,000

Urban Early Planning Grant

Recipient (Location)	Use of Award	Award
Awards made to 41 individuals and businesses	Grants used for professional services to develop feasibility studies and business plans. Businesses must be in specific industrial clusters.	Awards range from \$1,875 to \$15,000
	Subtotal	\$130,503

Entrepreneurial Training Grant

University of Wisconsin, Small Business Development Center -- State Office (Madison)	The Small Business Development Center (SBDC) Office will administer the Entrepreneurial Training Grant program, including grants to qualified applicants. Grants are used to pay 75% of tuition of approved courses at a local SBDC that provides instruction on how to prepare a comprehensive business plan.	\$308,000
	Subtotal	\$308,000

Wisconsin Trade Program

Recipient (Location)	Use of Award	Award
Prodesse, Inc. (Waukesha)	Grant to attend Association of Molecular Pathology in Orlando, Florida.	\$5,000
Lucigen Corporation (Middleton)	Grant to attend Bio-Partnering North America Show in Vancouver, Canada.	5,000
NeoClone Biotechnology International, LLC (Madison)	Grant to attend BIO 2004 show in San Francisco, California.	5,000
Cambridge Major Laboratories, Inc. (Germantown)	Grant to attend BIO 2004 show in San Francisco, California.	5,000
EraGen Biosciences, Inc. (Madison)	Grant to attend BIO 2004 show in San Francisco, California.	5,000
Amalga Composites, Inc. (West Allis)	Grant to attend PTC Asia in Shanghai, China	5,000
	Subtotal	\$30,000

Legislative Designations

Wisconsin Business Resource Center, Inc. (Milwaukee)	Grants to develop initiative that will foster growth and expansion of minority business in Milwaukee and the southeast part of the state.	\$200,000
Wisconsin Center for Manufacturing and Productivity, Inc. (Madison)	Grant to assist in transfers of technology to businesses in Wisconsin.	100,000
	Subtotal	\$300,000
	GRAND TOTAL	\$8,032,364

Source: Biennial Department Reports to the Chairs of the Senate Committee on Economic Development, Job Creation and Housing, and the Assembly Committee on Economic Development.

APPENDIX II

**Brownfields Grant Awards
Legislative Awards
2002-03**

Municipality	Recipient	Project Description	Amount
Milwaukee	Menomonee Valley Partners	Grant for purchase of brownfield properties in Menomonee Valley and for predevelopment activities that will prepare parcels for end users.	\$375,000
Milwaukee	Milwaukee Economic Development Corporation (MEDC)	Grants for funding Menomonee Valley Remediation and Economic Development Grant Program. MEDC awards grants to entities that engage in brownfields projects.	375,000
		Subtotal	\$750,000

**Brownfields Grant Awards
2003-04**

Municipality	Recipient	Project Description	Amount
Milwaukee	City of Milwaukee	Grant to assist in the environmental clean-up of a site in Menomonee Valley that will be an urban industrial park.	\$1,000,000
Kenosha	City of Kenosha	Grant for infrastructure improvement and remediation of a former industrial site that will be used for commercial, retail, and residential properties.	1,000,000
Milwaukee	Milwaukee Public Market	Grant for remediation of a vacant site chosen by the Historic Third Ward for establishing the Milwaukee Public Market.	750,000
Sun Prairie	City of Sun Prairie	Grant for environmental remediation and demolition of a former industrial site for a commercial and residential development known as Cannery Square.	750,000
Eau Claire	City of Eau Claire	Grant to assist with the acquisition and building of a former industrial site that will be sold to Royal Credit Union to be the location of the company's headquarters.	750,000
Milwaukee	Jensar Corporation	Grant will be used for soil and water remediation of property that will be the site of a business expansion.	575,000
Milwaukee	Jefferson Block, LLC	Grant to offset environmental remediation costs of a city block near Historic Third Ward to prepare for construction of a building that will house apartments, commercial, and retail space.	550,000

Municipality	Recipient	Project Description	Amount
Sussex	Bilienski Development	Grant for building rehabilitation and culvert installation to address floodplain issues at a former location of vegetable processing, canning and storage. The property will be the site of mixed use development including residential, commercial, and retail.	\$400,000
West Allis	City of West Allis	Grant for environmental remediation and demolition costs as part of comprehensive downtown redevelopment.	335,000
Town of Madison	Mid-Town Center, LLC	Grant for preparation of a site formerly used as commercial landfill. The site will be sold to Cuna Credit Union and be used as a corporate headquarters.	300,000
Richland Center	City of Richland Center	Grant for property acquisition, and demolition to redevelop the four block Orange Street Corridor, which contains soil and groundwater contamination, for commercial and retail businesses.	290,000
Campbellsport	Fond du Lac County	Grant for remediation and building renovation on rural industrial site formerly used for manufacturing and reclamation of lead acid batteries. Site will be sold to manufacturers.	100,000
Wauwatosa	Toldt Development	Grant for environmental remediation and to provide utilities to an apartment building development project.	90,000
Prairie du Chien	Crawford County	Grant for demolition of existing buildings and asphalt capping of an area of groundwater contamination. The County Administrative Center will be constructed on site.	75,000
Gays Mills	Crawford County	Grant for environmental remediation of property with solvent contamination. The county will raze and relocate an agency from floodplain and a community center parking lot to meet DNR barrier requirements.	35,000
		Subtotal	\$7,000,000
		GRAND TOTAL	\$7,750,000

APPENDIX III

Development Zones*

Zone Location	Year of Designation	Total Credits Allocated to Zone	Number of Businesses Certified*	Number of Jobs Retained	Number of Jobs Created
Beloit	1989	\$1,115,073	8	155	238
Iron County	1989	662,894	15	32	218
Manitowoc	1989	2,088,941	18	2,569	698
Milwaukee	1989	6,365,905	64	3,804	1,875
Racine	1989	1,975,369	21	2,463	470
Stockbridge-Munsee	1989	60,000	2	0	13
Sturgeon Bay	1989	1,808,228	38	1,459	597
Superior	1989	660,758	12	32	115
Fond du Lac	1991	2,486,901	30	600	460
Green Bay	1991	1,283,272	16	451	238
Lac du Flambeau	1991	391,869	5	1	67
Richland, Crawford, and Vernon Counties	1991	1,346,852	14	499	436
Eau Claire	1995	1,486,592	29	403	468
Two Rivers	1995	1,178,435	11	1,577	248
Janesville	1996	1,501,855	13	578	544
Lincoln, Langlade, Florence, and Forest Counties	1996	741,654	17	299	245
Grant and Lafayette Counties	1996	936,096	26	142	278
Juneau, Adams, and Marquette Counties	1996	2,385,527	27	1,405	640
Marinette, and Oconto Counties	1998	1,187,500	12	544	438
Ashland, Bayfield, and Price Counties	1998	1,827,000	9	1,005	442
Kenosha	2001	250,000	1	0	183
LaCrosse	2001	1,272,500	4	72	466
Multiple Locations**		<u>383,000</u>	<u>1</u>	<u>0</u>	<u>326</u>
Total		\$33,396,220	393	18,090	9,703

* As of December, 2004.

**Reflects credits to same business in different zones.

APPENDIX IV

Enterprise Development Zone Program

City	Company Name	Certification Date	Zone Investment	Jobs Created	Jobs Retained	Credit Allocation
New Berlin	Quad/Graphics	August 14, 1995	\$96,500,000	500	0	\$3,000,000
Eau Claire	W.L. Gore	September 19, 1995	70,000,000	450	0	2,550,000
Oconto Falls	Cera-Mite Corp.	November 1, 1995	5,000,000	150	0	900,000
Neilsville	Leeson Electric	December 11, 1995	2,500,000	150	0	900,000
Marinette	Karl Schmidt Unisia	January 12, 1996	50,000,000	350	0	2,100,000
Menomonee Falls	Strong Capital Management, Inc.	February 12, 1996	30,000,000	500	0	3,000,000
Wisconsin Rapids	Renaissance Learning, Inc.	February 16, 1996	20,000,000	370	0	2,000,000
Kenosha	DaimlerChrysler Corp.	April 1, 1996	364,000,000	414	1,405	3,000,000
Franklin	Harley-Davidson Motor Co. Group, Inc.	April 1, 1996	20,000,000	200	473	2,800,000
Shawano	Aarrowcast, Inc.	July 4, 1996	13,500,000	312	0	1,068,000
Chippewa Falls	Johnson Matthey Semiconductor Packages, Inc.	August 1, 1996	47,700,000	600	470	2,750,000
Prairie du Chien	Cabela's Wholesale, Inc.	August 29, 1996	29,000,000	555	0	3,000,000
Wauwatosa	Harley-Davidson Motor Co. Operations, Inc.	September 27, 1996	90,000,000	400	75	3,000,000
Ladysmith	Weather Shield, Mfg., Inc.	October 25, 1996	6,200,000	200	0	1,200,000
Janesville	Alliant Techsystems, Inc.	November 10, 1996	3,500,000	0	250	1,000,000
Dodgeville	Land's End, Inc.	November 20, 1996	62,000,000	666	0	3,000,000
Green Bay	KI	January 10, 1997	7,600,000	175	0	1,050,000
Sheboygan	J.L. French Corp.	February 1, 1997	43,000,000	220	0	1,320,000
Saukville	Charter Manuf. Co., Inc.	March 21, 1997	25,000,000	200	0	1,200,000
Racine	J.I. Case	May 1, 1997	116,000,000	500	0	3,000,000
Chetek	Parker Hannifin Corp.	June 1, 1997	2,400,000	100	0	600,000
Oconto	KCS International	June 18, 1997	2,400,000	600	0	3,000,000
Platteville	Hypro, Inc.	July 31, 1997	7,300,000	150	0	900,000
Wausau	Award Hardwood Floors, LLP	August 1, 1997	13,400,000	175	0	775,000
Manawa	Kolbe & Kolbe Milwork Co. Inc.	August 18, 1997	6,000,000	200	0	525,000
De Pere	Moore USA Inc. (Response Mktg. Services)	September 1, 1997	63,000,000	471	0	2,500,000
Bonduel	KI	November 17, 1997	4,900,000	375	0	2,250,000
Milwaukee	Johnson Controls	March 1, 1998	17,000,000	350	0	1,750,000
Port Washington	Simplicity Manuf., Inc.	March 31, 1998	970,000	60	0	2,180,000
Wausaukee	Wausaukee Composites, Inc.	April 30, 1998	3,700,000	200	0	1,000,000
Oshkosh	The Fonda Group, Inc.	July 31, 1998	6,000,000	207	93	1,500,000
Ripon	Alliance Laundry Holdings, LLC	January 1, 1999	31,000,000	200	480	3,000,000
Mequon	Allen-Bradley Co.	January 1, 1999	49,500,000	65	460	2,165,000
DePere	IDS Property Casualty Insurance Co.	February 15, 1999	20,891,000	357	0	1,785,000
Hudson	Whitmire Distribution Corp.	April 1, 1999	8,500,000	71	0	426,000
Madison	The Charton Group	August 1, 1999	1,500,000	280	0	840,000
Menomonie	Andersen Corporation	September 1, 1999	17,000,000	300	0	1,500,000
Neenah	Pitney Bowes, Inc.	September 1, 1999	7,900,000	400	0	1,600,000
Wausau	Marathon Electric Manf. Corp.	December 2, 1999	8,739,000	106	0	700,000
Brodhead	Stoughton Trailers	January 1, 2000	13,700,000	367	0	2,053,000

APPENDIX IV (continued)

Enterprise Development Zone Program

City	Company Name	Certification Date	Zone Investment	Jobs Created	Jobs Retained	Credit Allocation
Plymouth	Sargento Foods, Inc.	April 1, 2000	\$9,100,000	324	0	\$1,620,000
Manitowoc	The Manitowoc Co., Inc.	May 22, 2000	1,200,000	0	1,150	600,000
Oshkosh	Oshkosh Truck	June 1, 2000	8,500,000	352	248	3,000,000
Eau Claire	EBY Brown Co., Inc.	September 1, 2000	6,000,000	70	100	410,000
Oshkosh	4imprint Inc.	October 1, 2000	1,050,000	400	200	\$3,000,000
Sheboygan	Rockline Industries, Inc.	October 1, 2000	7,531,000	124	0	710,000
La Crosse	City Brewing Co., LLC	December 1, 2000	14,000,000	100	0	800,000
Racine	CNH Global N.V.	January 1, 2001	21,500,000	0	1,000	3,000,000
Waterford	Runzheimer International, Ltd.	January 1, 2001	8,200,000	0	178	1,400,000
Stevens Point	Land's End, Inc.	March 1, 2001	19,000,000	500	0	3,000,000
Oshkosh	Firstar Bank/U.S. Bancorp	March 1, 2001	9,283,000	297	0	516,000
Sturtevant	Bombardier Motor Corp. of America	April 5, 2001	32,900,000	750	0	3,000,000
Tomahawk	Harley Davidson Motor Co. Operations, Inc.	June 1, 2001	41,300,000	0	327	2,616,000
Thorp	Benchmark Components Inc./Wisconsin Bench	June 1, 2001	9,415,000	110	0	550,000
Cudahy	Patrick Cudahy, Inc.	June 1, 2001	22,548,000	390	0	2,535,000
Milwaukee	USF-Holland	August 1, 2001	7,817,000	50	0	640,000
Horicon	Deere & Company	November 1, 2001	37,000,000	0	253	1,644,500
Menomonee Falls	Kohl's Department Stores, Inc.	February 4, 2002	18,600,000	175	2,000	3,000,000
Brookfield	Norlight Telecommunications, Inc.	July 1, 2002	1,900,000	90	238	2,489,000
Saukville	Kohler Co.	July 18, 2002	3,100,000	50	45	685,000
Sheboygan	ACUITY, A Mutual Insurance Co.	March 24, 2003	40,000,000*	600	0	3,000,000
Sheboygan	ACUITY, A Mutual Insurance Co.	March 24, 2003	0	0	500	3,000,000
Arcadia	Ashley Furniture Industries	July 16, 2003	2,759,233	343	2,347	1,715,000
Milwaukee	Aldrich Chemical Co., Inc.	January 5, 2004	<u>90,000,000</u>	<u>0</u>	<u>400</u>	<u>3,000,000</u>
TOTAL			\$1,800,003,233	16,671	12,692	\$118,817,500

*The \$40,000,000 is total investment in the ACUITY zones and includes a building renovation project to retain jobs, and a building expansion project that will create jobs.