Informational Paper 92

State Economic Development Programs Administered by the Department of Commerce

Wisconsin Legislative Fiscal Bureau

January, 2009

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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 tax credits provided 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, Forward Wisconsin's promotional activities. Forward Wisconsin is a non-profit organization created to attract out-of-state businesses to Wisconsin that is partially state-funded.

CHAPTER 1

FINANCIAL ASSISTANCE PROGRAMS

Economic Development Programs Goals, Accountability and Reporting

In March, 2008, 2007 Wisconsin Act 125 was enacted. The Act included a number of provisions, related to administration of economic development programs, that are based on recommendations made by the Legislative Audit Bureau in Audit Report 06-9, State Economic Development Programs. The Act requires the Department of Commerce to establish goals and accountability measures for economic development programs and reporting requirements for economic development assistance.

Specifically, Commerce is required to do all of the following for each economic development program administered by the Department.

a. Establish clear and measurable goals for the program that are tied to statutory policy objectives.

b. Establish at least one quantifiable benchmark for each program goal.

c. Require that each recipient of a grant or loan under an economic development program submit a report to Commerce. Each contract with a recipient of a grant or loan under the economic development program must specify the format and frequency of the report to be submitted, and performance measures that are included in the report.

d. Establish a method for evaluating the projected results of the economic development grant or loan program with actual outcomes, as determined by evaluating information related to program goals and related benchmarks.

e. Annually and independently verify, from a sample of grants and loans, the accuracy of the information contained in reports filed by grant and loan recipients.

f. Establish, by rule, a requirement that the recipient of a grant or loan under an economic development program of at least $100,000 must submit, to the Department, a verified statement signed by both an independent certified public accountant that is licensed or certified under state law and the director or principal officer of the grant or loan recipient, to attest to the accuracy of the verified statement. In addition, this requirement must be included in the contract entered into by a grant or loan recipient.

g. Establish, by rule, policies and procedures that permit the Department to: (1) recoup payments made to the recipient; (2) withhold payments to be paid to the recipient; and (3) impose a forfeiture on the recipient, if the recipient of an economic development grant or loan or a recipient of tax benefits from an economic development program, submits false or misleading information to the Department, or fails to comply with the terms of a contract and fails to provide, to the satisfaction of the Department, an explanation for the noncompliance.

Commerce is also required to produce a comprehensive annual report on economic development programs administered by Commerce. Annually, by October 1, Commerce must submit to the Joint Legislative Audit Committee and to the appropriate standing committees of the Legislature, a comprehensive report assessing the economic development programs administered by the Department. The information in the report must be readily accessible to the public on an internet-based system. The report is required to include all of the following information:

a. A description of each economic development program.

b. Quantifiable performance measures directly related to the purpose of the program, including, when applicable, all of the following information:

1. An accounting of the location, by municipality, of each job created or retained in the state in the previous fiscal year as a result of the program.

2. An accounting of the industry classification, by municipality, of each job created or retained in the state in the previous fiscal year as a result of the program.

c. A comparison of expected and actual program outcomes.

d. The number of grants made under the program in the previous fiscal year.

e. The number of loans made under the program in the previous fiscal year.

f. The amount of tax benefits allocated and verified under the program in the previous fiscal year.

g. The amount of each grant or loan made under the program in the previous fiscal year.

h. The recipient of each grant or loan made under the program in the previous fiscal year.

i. The recipients of tax benefits allocated and verified under the program in the previous fiscal year.

j. The sum total of all grants and loans awarded to and received by each recipient under the program in the previous fiscal year.

k. Any recommended changes to the program.

Commerce is required to coordinate the development of programmatic goals and accountability measures that are required for economic development programs administered by other agencies including the Department of Natural Resources, University of Wisconsin System, Wisconsin Technical College System, Department of Tourism, Department of Transportation, Department of Agriculture, Trade and Consumer Protection, and Wisconsin Housing and Economic Development Authority (WHEDA). Commerce is also required to collaborate with these agencies to facilitate economic development program reporting requirements.

"Economic development program" is defined as a program or activity having the primary purpose of encouraging the establishment and growth of business in Wisconsin, including the creation of jobs, and that satisfies all of the following:

a. The program receives funding from the state or federal government that is allocated through an appropriation included in the statutory appropriations schedule.

b. The program provides financial assistance, tax benefits, or direct services to specific industries, businesses, local governments, or organizations.

Business Development Financial Assistance

Commerce administers a wide variety of

separate economic development programs that provide financial assistance. However, the type of assistance provided can be categorized into five general areas: (a) entrepreneurial development; (b) capital financing; (c) technology development; (d) employee training; (e) trade shows; and (f) targeted businesses.

Entrepreneurial Development

Commerce provides two types of planning grants for entrepreneurs and small businesses. The grants are provided through the Wisconsin Entrepreneurs' Network (WEN). The Wisconsin Entrepreneurs' Network (WEN) was created to promote entrepreneurship and innovation in Wisconsin, and includes the University of Wisconsin System, the Wisconsin Technical College System (WTCS), the WiSys Technology Foundation, and the Agricultural Innovation Center. WEN, which began operations in June, 2005, incorporates the services and resources of: (a) the UW-Extension statewide small business outreach network, with 13 campus-based small business development centers; (b) WiSys Technology Foundation (a non-profit subsidiary of the Wisconsin Alumni Research Foundation) that protects, patents and licenses inventions created by scientists at the UW campuses, other than UW Madison; (c) the WTCS network of 16 colleges throughout the state; and (d) the Department of Agriculture, Trade and Consumer Protection (DATCP) Agriculture Innovation Center providing assistance to agriculture-related entrepreneurs. The Network offers a variety of services to entrepreneurs in all industries and at all stages of development including business planning, educational workshops, executive programs, peer learning, access to capital, technology transfer assistance, and assisting high-growth businesses.

WEN is comprised of 25 intake centers, four regional technology-transfer centers at UW-Eau Claire, UW-Milwaukee, UW-Madison, and Northeast Wisconsin Technical College (Green Bay), and 26 counselors. Counselors at the intake centers assess clients' projects for the capacity to grow and succeed. Potential high-growth client projects are referred to one of the regional centers where staff evaluate the management team, market size, competitive advantage, and other related factors. Certain clients are identified to receive highly personalized attention, including assistance in gaining access to capital and other financial resources, which continues until the new ventures are self-sufficient.

Funding for early planning grants, technology assistance grants and entrepreneurial training grants is provided to WEN through Commerce grants from various funding sources to the University of Wisconsin Extension. Funding for WEN has been provided as follows:

a. 2004-05 -- $500,000 technology commercialization grant and loan program, entrepreneurial and technology transfer center grant in November, 2004.

b. 2005-07 -- $3,000,000 CDBG economic development grant in October 2005; $1,000,000 in two Wisconsin development fund (WDF) entrepreneurial and technology transfer center grants in October 2005 ; $400,000 WDF major economic development grant in January, 2006; and $200,000 rural economic development grant and loan program grant in January, 2006. (The technology commercialization grant and loan program, including the entrepreneurial and technology transfer center grant subprogram was incorporated into the WDF in the 2005-07 biennial budget.)

c. 2007-09 -- $1,200,000 in two entrepreneurial and technology transfer center grants in August, 2008.

Because Commerce funding for entrepreneurial development grants is provided in this manner, individual grant amounts are not always reflected in program awards listed in the appendices.

Early Planning Grants. The early planning grant (EPG) program is designed to help individual entrepreneurs and small businesses in Wisconsin obtain professional services necessary to evaluate the feasibility of a proposed business start-up or expansion. Under the EPG program, WEN provides grants to fund a portion of the cost of hiring a for-profit, independent Wisconsin third party to develop a comprehensive business plan.

Eligible applicants include individuals, small for-profit businesses (50 employees or less), cooperatives, and child care centers in one of the following industrial categories: (a) automation; (b) agriculture/food products; (c) biotechnology; (d) information technology; (e) manufacturing; (f) medical devices; (g) paper/forest products; (h) printing; (i) tourism; and, (j) childcare (not including in-home childcare). Eligible project costs are limited to expenses associated with obtaining a comprehensive business plan from for-profit, in-state, independent third parties listed in the WEN Private Sector Service Provider Directory. Ineligible project costs include the following: (a) costs of applying for an EPG; (b) legal costs associated with establishing or incorporating the business; (c) architectural, engineering, and design costs; (d) business valuation and/or appraisal fees; (e) loan application/origination fees; (f) costs associated with implementing the business plan; (g) software purchase, installation, or development; (h) website development; and (i) costs incurred prior to the date the EPG application is submitted.

The maximum EPG is 75% of eligible project costs up to $3,000. Applicants must provide a cash match of at least 25% of eligible project costs from non-state sources. Applications for EPG funding must be submitted electronically through the WEN website.

Entrepreneurial Training Program Grant. The Entrepreneurial Training Program (ETP) is a course offered through the Wisconsin Small Business Development Center (SBDC), a member of WEN, that provides prospective and existing business owners with expert guidance in developing a business plan. The course is targeted to individuals that would rather prepare a business plan in a more formal setting, and for businesses that are not included in the identified industrial clusters. The program is an eight to twelve-week course, and coursework addresses legal and financial issues, staffing, accounting, record-keeping, and marketing. In addition, individual counseling and coaching is provided to assist participants in completing a business plan, and in preparing requests for financing from banks, investors, and public institutions.

Grants fund a portion of the cost of attending an ETP course, up to a maximum of 75% of eligible tuition expenses. Participants must provide a cash match of at least 25% of eligible tuition costs.

Capital Financing

Commerce provides three general sources for capital financing: (a) direct lending; (b) tax credits; and, (c) industrial revenue bonds

Direct Lending. Commerce has a number of programs through which the agency makes direct loans to businesses. These programs generally provide funds at below market rate financing, typically 4%, and flexible repayment terms. Commerce prepares an extensive evaluation of all applicants prior to providing funding. The underwriting process includes a strengths, weaknesses, opportunities, and threats (SWOT) analysis that serves as the basis for loan terms and conditions, including specific collateral requirements, and the personal guarantees of individuals with at least a 20% ownership interest. However, Commerce is not a source of primary financing. Generally, for projects that are funded, the Department provides the lesser of 25% of project costs or $250,000.

Tax Credit Programs. Commerce administers a number of tax credit programs that can provide capital financing either through refundable credits (e.g. dairy manufacturing facilities) or reduced tax liabilities (e.g. development zones) that are based on certain investment expenditures. Typically, Commerce is responsible for certifying individual businesses or expenses as eligible for tax credits and allocating the credits to eligible taxpayers. The Department lists the following tax credit programs as sources of capital financing: (a) community development zones; (b) enterprise development zones; (c) technology zones; (d) airport development zones; (e) agricultural development zone; (f) dairy manufacturing facility investment credits; (g) angel investment and early stage seed investment credits; (h) film production tax credits; and (i) manufacturing investment credits.

Industrial Revenue Bonds. The Wisconsin industrial revenue bond (IRB) program assists small manufacturing businesses with expansion projects through low interest financing. Under the program, Commerce grants bonding authority (total of $233.1 million for 2008), called volume cap allocation to cities, villages, and towns to issue tax-exempt bonds. The proceeds from the bond sale are loaned to businesses to finance capital investment projects, primarily at manufacturing facilities. IRB's are not general obligations of the municipality. The business that will use the facilities that are funded by the bond proceeds provides interest and principal payments on the loan. The local government lends its name, not its credit, to the bond issue to obtain tax-exempt status.

Technology Development

Commerce provides financial assistance to technology-based businesses, entrepreneurs, and consortia for research, product development, process development, or commercialization through the following programs: (a) technology commercialization grant and loan, and tax credit programs created by 2003 Wisconsin Act 255; (b) the technology development fund (TDF) and technology development loan (TDL) program funded through the Wisconsin Development Fund (WDF); and, (c) the technology zones program.

Technology Commercialization Grant and Loan Programs. The technology commercialization grant and loan program was created to provide financial assistance to entrepreneurs and technology-based businesses. Initially, the program was administered and funded as a separate grant and loan program. However, 2005 Wisconsin Act 25 incorporated the technology commercialization program and funding into the WDF. The statutory provisions and administrative rules governing the program have been generally retained. Financial assistance is provided through the following programs: (a) technology assistance grants; (b) matching grants and loans; (c) bridge grants and loans; and, (d) venture capital grants and loans.

Angel Investment and Early Stage Seed Investment Tax Credits. Act 255 created the angel investment tax credit and early stage seed investment tax credit that were designed to increase investment in start-up and early stage businesses by venture capitalists and angel investors. Commerce administrative responsibilities include determining the eligibility of, and certifying businesses and venture funds. The angel investment tax credit provides a tax credit for an angel investment in a qualified new business venture, while the early stage seed investment tax credit provides a tax credit for investment by a venture fund in a qualified new business venture.

Technology Zones Tax Credit. Technology zones are multi-county areas in Wisconsin designated to promote the development and expansion of high-technology businesses in Wisconsin. A total of eight technology zones have been designated encompassing 54 counties. Eligible businesses in a zone may claim the technology zones tax credit for jobs created, capital investments, and property taxes paid. Commerce is responsible for designating zones and certifying businesses as eligible for tax credits, and allocating tax credits to individual businesses.

Technology Development Fund. The technology development fund (TDF), which is provided funding from the Wisconsin development fund, provides financial assistance for research to develop new, or improve existing, industrial products or processes. Eligible applicants include Wisconsin businesses and consortia. A consortium is an association of a business and a higher educational institution. TDF grants or loans must be used to fund technical research to develop new or to improve existing products or processes that have a high probably of commercial success within a relatively short time period (usually two to three years), and that will provide significant economic benefit to the state. Only costs directly associated with the proposed research project are eligible including salaries, professional services, equipment, and supplies and materials.

Technology development fund awards provide gap financing, funding only a portion of eligible project costs. The actual level of assistance provided is based on an analysis of each project's: (a) scientific and technical merit; (b) commercial potential; (c) economic impact; (d) business viability; and (e) fund availability. Typically, the financial assistance provided is structured so that Commerce shares both the risks and benefits of the project. Low interest loans (usually 4%) amortized over five to seven years are often the source of Commerce financing. If the product or process that is researched is successfully commercialized, loan repayment is required. If the product or process is not commercially viable, the loan may be forgiven.

Technology Development Loan Program. The technology development loan (TDL) program, also funded through the WDF, provides financial assistance to businesses for infrastructure development and commercialization of a new product or process. Eligible applicants are businesses and consortia. Technology development loans are used 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. Loan proceeds can be used to pay costs related to: (a) the production, marketing, or sales of the new or improved product or process, and (b) to fund the acquisition of land, buildings, and equipment and for new construction.

Similar to the technology development fund, TDLs provide gap financing and the level of assistance is based on an analysis of the same factors used for TDF loans. Loans are provided at a below-market fixed rate (typically 4%), and Commerce seeks the best collateral position to ensure repayment. Monthly payments of principal and interest are required, and personal guarantees are required from individuals with an ownership interest of 20% or more in the business.

Employee Training

Commerce provides financial assistance through two programs: (a) customized labor training (CLT); and (b) business employees' skills training (BEST).

Customized Labor Training Program. The customized labor training program (CLT), which is funded through the WDF, provides financial assistance to businesses to fund labor training programs that provide employees with job training in new or more advanced technology, industrial and other employment-related skills, or training in manufacturing processes to assist employers in maintaining a technologically advanced workforce. Eligible applicants are: (a) businesses that make a firm commitment to locate in Wisconsin; (b) businesses that are expanding in the state; or (c) businesses that are upgrading a product, process, or service that requires training employees in new technology and industrial skills, or manufacturing processes, or other job-related skills in which advances have been made. To be eligible for funding the proposed training must not be fairly readily available through existing federal, state or local resources, must occur in an instructional setting, and must focus on new technology, industrial skills, or manufacturing processes. Recipients must guarantee jobs in the state to all employees who successfully complete the training program.

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: (a) the viability of the project; (b) number and nature of the jobs created and retained; (c) employee wages and benefits; and (d) the economic impact on the community. Statutes permit grants or loans. Current Development Finance Board policy provides that all awards are made as grants. 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: (a) recruiting instructors before the training program begins; (b) developing program curricula; (c) recruiting, screening and counseling program trainees; (d) financial audit costs; and (e) renting instructional equipment and training facilities owned or leased by the district or institution, unless rented only for the training program.

Business Employees' Skills Training Grant Program. This program is described in more detail in a subsequent section (p.53). The business employees' skills training program was created to provide financial assistance to certain small business in industries facing labor shortages to upgrade employee work skills. Eligible applicants are businesses located in Wisconsin with: (a) no more than 25 full-time employees; or (b) no more than $2.5 million in gross annual income in the prior year. In addition, the business must be in certain industrial clusters.

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 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. Grants also 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. No single funding source is specified for BEST grants. Commerce makes BEST grants from the WDF, rural economic development (RED), or minority business development (MBD) programs, depending on the type of applicant and project.

Trade Shows

Wisconsin Trade Project Program. The Wisconsin trade project program provides financial assistance to encourage small- to medium-sized businesses to become exporters and help existing exporters seek out new markets by attending international trade shows, U. S. trade shows (in certain circumstances), and U.S. Department of Commerce sanctioned "matchmaker" trade delegation events. Eligible businesses can be reimbursed up to $5,000 for eligible expenses related to participation in a trade show or "matchmaker" trade delegation event. Funding for grants is provided from the WDF.

Targeted Businesses

Commerce provides financial assistance to targeted industries, such as the dairy industry, and to targeted businesses, such as women- or minority-owned businesses, through many of the Department's business development programs.

Standard Underwriting Criteria

The Department uses the following standard underwriting criteria for business development financial assistance programs:

a. *Viability*. The level of risk determined by: (1) management capability (character); (2) ability to repay from cash flow (capacity); (3) ability to absorb unexpected costs with resources such as personal net worth (capital); (4) assets that secure Commerce funds (collateral); and, (5) general and specific market and economic conditions (conditions).

b. *Full-Time Jobs Created or Retained.*

c. *Part-Time Jobs Created or Retained.*

d. *Employee Wages.*

e. *Total Company Investment in Wisconsin.*

f. *Targeted Business.* Company demographics, including minority-owned, women-owned, small business, rural business, or agribusiness.

g. *Targeted Hires*. Employee demographics, including low and moderate income, minority, women, persons with disabilities, W-2 participants, and / or unemployed.

h. *Targeted Location*. Area demographics, including high unemployment, high percentage of W-2 participants, declining population, declining property values, low median household income, significant layoffs, and / or located in development or enterprise development zone.

i. *Community Benefits*. Spin-off jobs and businesses and positive impact on local businesses.

j. *Competition.* Will Commerce awards have a negative impact on competing businesses.

Following are descriptions of the specific financial assistance programs administered by Commerce. The programs provide specific sources of funding for the general types of assistance, such as capital financing, provided by the Department.

Wisconsin Development Fund

Under provisions of 2007 Wisconsin Act 20, certain specific Wisconsin development fund (WDF) and related administrative processes were eliminated. Consequently, a substantial amount of WDF funding is awarded using general program criteria and procedures. However, specific statutory provisions govern the Wisconsin trade project amounts and technology commercialization grants and loans. Also, the Department is authorized to make renewable energy grants and loans from the WDF program revenue repayments appropriation.

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. Annual base level funding for the

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

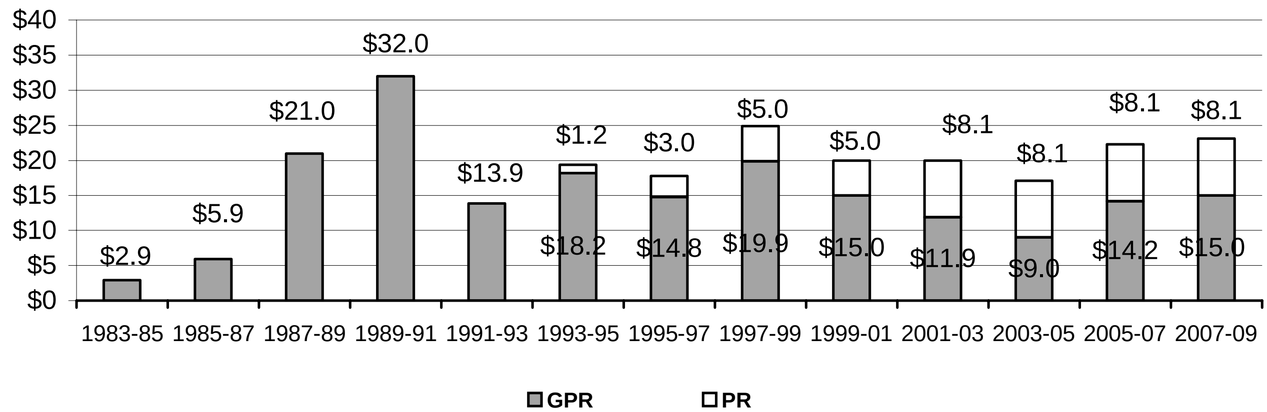

Table 2: WDF Loan Repayment Appropriation -- Annual Revenues, Expenditures, and Expenditure Authority

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Prior Year Unexpended Revenue	$11,949,000	$14,576,800	$17,130,000	$16,793,500	$15,855,000	$13,635,000	$11,167,300
Current Year Revenue	4,560,000	5,265,200	2,980,900	3,243,200	3,028,400	1,883,700	1,460,800
Total Revenue	$16,509,000	$19,842,000	$20,110,900	$20,036,700	$18,883,400	$15,518,700	$12,628,100
Expenditures	$1,932,200	$1,808,600	$3,317,300	$4,181,700	$5,248,400	$4,351,400	$6,745,900
Lapse to General Fund	0	903,400	0	0	0	0	0
Year End Unexpended Revenue	$14,576,800	$17,130,000	$16,793,500	$15,855,000	$13,635,000	$11,167,300	$5,882,200
Encumbrances	7,698,200	10,944,000	9,951,300	10,653,700	6,371,600	8,923,000	2,004,700
Year End Unencumbered Balance	$6,878,600	$6,186,000	$6,842,300	$5,201,300	$7,263,400	$2,244,300	$3,637,900
Expenditure Authority	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000	$4,050,000

WDF is $7,098,400 GPR and $4,050,000 PR expenditure authority. Funding of $7,873,400 GPR was provided in 2007-08.

Table 2 shows actual annual revenue and expenditures for the WDF program revenue repayments appropriation from 2001-02 through 2007-08. The table shows that there was a substantial unencumbered balance in the repayments appropriation through 2005-06. This is primarily due to a relatively low level of annual expenditures through 2002-03. Further, revenues have declined significantly since 2002-03, reflecting a shift in program focus to fewer loans and more grants. In general, annual revenues were greater than annual expenditures 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 have been substantially higher than annual revenues. In addition, the current expenditure authority of approximately $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 WDF is administered by the Bureau of

Business Finance and Compliance in the Division of Business Development. Commerce staff review and approve applications, monitor and assess compliance with program and contract requirements, and perform other related administrative functions.

An eleven-member Development Finance Board, which is attached to Commerce, approves most WDF grants and loans. The Board consists of the Secretaries of the Departments 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 business communities in the state. In addition, 2007 Wisconsin Act 20 expanded the Board to include two legislative members, one appointed by he Speaker of the Assembly, and one by the Majority Leader of the Senate. All other appointed members of the Board must be confirmed by the Senate.

When an application for financial assistance is received, the Board will consider a number of factors in determining whether to award a grant or loan. Specifically, in determining whether to make an award, the Board may consider any of the following:

a. Whether the project serves a public purpose.

b. Whether the project will retain or increase employment in the state.

c. Whether the project "might not" occur without the grant or loan.

d. Whether financing is available from another source on reasonably equivalent terms.

e. The extent to which the project will be financed with funds not provided by the state.

f. Whether funds from the grant or loan will be used to pay overhead costs or to replace funds from another source.

g. Whether the project will displace any workers in the state.

h. The extent to which the project will retain or increase employment in the state.

i. The extent to which the project will contribute to the economic growth of the state and the well-being of residents of the state.

j. Whether the project will be located in an area of high unemployment or low average income.

k. The financial soundness of the eligible recipient.

L. The intention of the eligible recipient to repay the grant or loan.

m. Whether the project will be located in a targeted area.

n. For an ethanol production facility on which construction begins after July 27, 2005, whether a competitive bidding process is used for the construction of the ethanol production facility.

The Board must require that, as a condition of receiving a grant or loan, a recipient has to contribute to a project an amount equal to 25% of the grant or loan. The Board is required to develop a policy related to obtaining reimbursement of WDF grants and loans. The policy can provide that reimbursement must be obtained through full repayment of the principal amount of the grant or loan plus interest through receipt of a share of future profits from an interest in a product or process, or through other appropriate means.

Under current law, the Board is required to provide more favorable terms on awards for projects located in targeted areas. When considering whether a project for which financial assistance is requested is located in a targeted area the Board may consider any of the following factors:

a. Whether the area has high unemployment.

b. Whether the area has a low median household income.

c. Whether a significant number of workers in the area have been permanently laid off by their employers, or whether public notice has been given by an employer of either a plant closing or a substantial reduction in work force that will result in a significant number of workers in the area being permanently laid off.

d. Whether the area is designated as a development or enterprise development zone.

e. Any other factor the board considers to be an appropriate indicator of a targeted area.

In addition, 35% of total WDF funding must be awarded to projects in distressed areas. Distressed areas are areas which meet any two of the following criteria:

a. High level of unemployment;

b. Low median household income;

c. A significant number of workers in the area have been permanently laid off.

d. Declining populations;

e. An employer in the area has given notice of a plant closing or substantial reduction in force that will result in a significant number of workers in the area being permanently laid off.

f. The area is designated as a development or enterprise development zone.

The Board has authority to determine that the area is affected by another factor that would indicate that the area was a distressed area.

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 by publishing and disseminating information, and by simplifying and assisting small businesses in preparing applications. A small business has 100 or fewer employees. In the 2005-07 biennium, 110 awards totaling $7.7 million were made to small businesses. (These figures reflect the impact of three programs: Business Employee's Skills Training (BEST); Early Planning Grants; and Entrepreneurial Training Grants.)

Commerce is required to establish criteria for awarding WDF grants and loans, including the types of projects that are eligible for funding and that receive priority. The Department determines conditions applicable to grants and loans awarded. An origination fee of not more than 2% of the amount of the award can be imposed on grants or loans of $200,000 or more. Fees are placed in the program revenue, WDF administration appropriation. With Board approval, Commerce is required to develop procedures, related to grants and loans for all of the following: (a) submitting applications for grants and loans; (b) evaluating applications; (c) monitoring project performance; and (d) auditing grants and loans. The Department, with Board approval, must develop and implement procedures for monitoring grant use, economic growth, job creation, and new jobs. The Department may retain 1% of WDF, GPR funding for: (a) evaluations of proposed technical research projects; (b) grants to small businesses for preparing proposals for the federal small business innovative research program; and (c) costs associated with administering the WDF loan portfolio.

The Board and Department consider appropriate reimbursement provisions for repayment of grants and loans on a case-by-case basis. The Department seeks the best collateral position and personal guarantees are required. 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.

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

2005 Wisconsin Act 25 incorporated the technology commercialization grant and loan program and annual funding of $2.7 million GPR into the WDF. The 2007-09 biennial budget included provisions that eliminated certain statutory WDF grant and loan programs and related administrative processes and, instead, established more general criteria and procedures for distributing financial assistance through the WDF. Under the provisions, grants and loans are made to eligible recipients to fund specified eligible activities rather than through specific grant and loan programs governed by statutory provisions and administrative rules. WDF programs that were repealed included: (a) revolving loan fund capitalization grants; (b) the rapid response fund; (c) employee ownership assistance grants; (d) major economic development grants and loans; (e) urban early planning grants; (f) technology development grants and loans; and, (g) labor training grants.

However, the Wisconsin trade project grant program and the technology commercialization grant and loan programs that were incorporated into the WDF in 2005 Wisconsin Act 25 and related statutory provisions have been retained, and were not affected by WDF restructuring.

General Grant and Loan Criteria. Commerce, at the request of the Development Finance Board, is authorized to make grants or loans to eligible recipients for eligible activities. Activities eligible for awards include: (a) capital financing; (b) worker training: (c); entrepreneurial development; (d) providing assistance to technology-based business or to businesses at a foreign trade show or event; (e) promoting urban or regional economic development; (f) establishing revolving loan funds; (g) providing working capital; and (h) promoting employee ownership by conducting or implementing feasibility studies to investigate the reorganization or new incorporation of existing businesses as employee-owned businesses.

"Business" is defined as a company located in Wisconsin, which has made a firm commitment to locate a facility in the state, or a group of companies, at least 80% of which are located in the state.

"Eligible Recipient" means a governing body or a person who is eligible to receive a WDF grant or loan. (The universal statutory definition of "person" includes all individuals, partnerships, and bodies political or corporate.)

"Governing body" means a county board, city council, village board, town board, regional planning commission, or transit commission.

"Project" is defined as a business development that increases the productivity of the business or its employees in Wisconsin, leads to significant capital investment in a business in the state, or leads to the retention of existing jobs or creation of jobs in the state.

"Small business means a business with fewer than 100 employees, including employees of any subsidiary or affiliated organization.

As noted, in addition to general grant and loan criteria, financial assistance is provided through the statutorily defined Wisconsin trade project and technology commercialization grant and loan programs. The specific provisions governing these programs are described in the following sections.

Wisconsin Trade Project Program. The Wisconsin trade project program is intended to encourage small- to medium-sized businesses to become exporters and help existing smaller exporters seek out new markets by attending international trade shows, U.S. trade shows (in certain circumstances), and U.S. Department of Commerce sanctioned "matchmaker" trade delegation events. Eligible applicants include: 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.

Eligible businesses seeking assistance are required to submit an application that includes:

a. 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;

b. An itemized budget of expenses for which reimbursement is sought;

c. A description of the proposed use of the reimbursement; and

d. 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: (a) 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 (b) 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.

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 event 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.

The following costs are eligible for reimbursement:

a. Fees for participation in a trade show, a U.S. trade show, or a U.S. Department of Commerce sanctioned matchmaker trade delegation event;

b. 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;

c. 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

d. 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 delegation event.

The following costs are not reimbursable: (a) travel costs; (b) lodging; (c) employee salaries; and (d) meals and entertainment

Technology Commercialization Grant and Loan Program. Under provisions governing the technology commercialization grant and loan program, Commerce is required to consider the following in awarding a grant or loan:

a. The amount of economic impact the applicant, if successful, will have in the state.

b. The quality of any business assisting the applicant.

c. The level of need demonstrated by the applicant.

d. The applicant's record of obtaining early stage financing, including federal funds.

e. The viability of the applicant's business.

f. The likelihood that the applicant will successfully commercialize technology.

g. The applicant's management plan and management team.

h. 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.

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

To be eligible for technology commercialization grants and loans, applicants must be: (a) 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 (b) 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. In addition, the applicant's business locations must be in Wisconsin. If the application relates to a product, it must be substantially manufactured in the state. If the application relates to a service, the principal place of business from which the services sold must be in Wisconsin. Finally, all grant monies must be spent in the state.

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.

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.

Technology Assistant Grants. Technology assistance grants provide financial assistance to entrepreneurs and to start-up and early stage businesses to fund research and development or professional services related to obtaining early stage funding. The technology assistance grant program is administered by the Wisconsin

Entrepreneurs Network (WEN) with funding from Commerce.

The maximum grant amount is 75% of eligible project costs up to a statutory maximum of $15,000. However, in practice, the maximum award amount is $3,000. Award recipients must provide funding of at least 25% of project costs from nonstate sources.

Eligible project costs are professional services involved in: (a) preparation and review of a federal R&D grant application; (b) obtaining industry information, data or market research needed to complete applications for R&D or early-stage funding; or (c) meeting specific requirements to obtain seed or early-stage financing from outside sources. Professional services must be provided by qualified, independent third parties. Ineligible project costs include: (a) costs of preparing applications for technology assistance grants; (b) costs incurred prior to the date of application; and (c) overhead, general administrative, and indirect costs.

Matching Grants and Loans. Matching grants and loans 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.

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.

Grants or loans can be used to fund the following activities: (a) 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 (b) 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. Eligible costs include reasonable costs to develop or commercialize a technologically innovative product, process, or service.

Bridge Grants and Loans.. Bridge grants and loans provide financial assistance to individuals, entrepreneurs and small businesses experiencing financial hardship to cover expenses between early-stage and later-stage 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.

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 make a bridge grant or loan for the purpose of funding professional activities 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. Venture capital grants and loans provide financial assistance to individuals, entrepreneurs, and small businesses for early stage financing.

The maximum venture capital grant or loan is the lesser of $250,000 or 50% of project costs. Applicants must provide nonstate funding of at least 50% of project costs.

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. Funds may not be used for expenses associated with preparation of the application for funding, expenses incurred prior to application and for overhead administration and indirect costs.

Entrepreneurial and Technology Transfer Center Grants. The entrepreneurial and technology transfer center grant provides financial assistance to support an entrepreneurial and technology transfer center.

Eligible applicants include 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:

a. The center serves multiple regions of the state.

b. The center provides assistance, other than financial assistance, to entrepreneurs to facilitate business development.

c. The center reviews and analyzes entrepreneurial business plans and offers advice concerning the improvement of the plans.

d. The center provides advice to entrepreneurs concerning patent, trademark, and copyright issues.

e. The center provides appropriate referral services to entrepreneurs.

The total amount of grants awarded may not exceed $600,000 annually. 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.

In September, 2004, Commerce issued a "request for proposals" (RFP) from interested entities to develop an Entrepreneurial and Technology Transfer Center. In November, 2004, Commerce awarded $500,000 to the UW-Extension to create a technology transfer center used by Wisconsin Entrepreneur's Network. The Department has provided the Center with $500,000 in annual funding since 2004.

Specific Projects. Historically, provisions have been enacted that designate 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. However, over time, the purposes for which funding was designated have become more varied.

In the 2003-05 biennium, Commerce was required to make a grant of $100,000 in each year to the Minority Business Opportunity Committee (MBOC), and grants during 2003-04 to eligible applicants in areas experiencing plant closings or high unemployment rates. In the 2005-07 biennium, Commerce was required to make: (a) a grant of $500,000 in 2005-06 for a technology development and technology commercialization grant and loan program to the Board of Regents of the University of Wisconsin-Milwaukee to establish a biomedical technology alliance in southeastern Wisconsin; (b) a grant of $100,000 in 2005-06 and 2006-07 to the Wisconsin Procurement Institute (WPI); and (c) a grant of $1.4 million to the City of Green Bay for a downtown waterfront redevelopment project. Under the provisions of 2005 Wisconsin Act 180, Commerce was required to make a grant of up to $350,000 in 2005-06 and in 2006-07 to the Wisconsin Center for Manufacturing and Productivity, Inc. to provide funding for the Wisconsin Manufacturing Extension Partnership (WMEP).

The 2007-09 biennial budget (2007 Wisconsin Act 20), requires the Department to make the following grants and loans: (a) two loans of $1.0 million each to a pulp and paper mill that emerged from bankruptcy in Wisconsin; (b) grants of $125,000 in 2007-08 and 2008-09 to the Painters and Allied Trades District Council 7 of the AFL-CIO for training; (c) a grant of $160,000 to the NanoRite Facility at Chippewa Valley Technical College; (d) a grant of $50,000 to the Village of Ashwaubenon for maintenance and construction of the Cornerstone Ice Arena; (e) a grant of $50,000 to the City of Eau Claire for renovation of the Hobbs Ice Arena; (f) a grant of $2,800,000 to the City of Green Bay for the CityDeck -- Fox River boardwalk; (g) a grant of $25,000 to the City of Mondovi for a community youth center; (h) a grant of $15,400 in 2007-08 to the City of Stevens Point for economic development; and, (i) grants of up to a total of $360,000 in 2007-08 to municipalities that have experienced manufacturing devaluation property tax loss in Wood, Adams, and Portage Counties. In addition, statutory legislative designations require the Department to make annual awards of $100,000 to the Center for Advanced Technology and Innovation (CATI) of Racine County and $100,000 to Urban Hope Corporation.

Table 3 compares the dollar amounts awarded and encumbered under each of the WDF program groups by biennium, starting in 1991-93. The information in the table is from the Department of Commerce. For the 2007-09 biennium, award amounts are only shown for awards made through October, 2008. Fiscal year 2008-09 awards have not been completed, as of this writing. Encumbered amounts are shown. 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 2007-08.

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 Housing and Community Development in Commerce administers the economic development, public facilities, public facilities for economic development, blight elimination and brownfield redevelopment, emergency grant, housing, and planning grant subprograms. 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."

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

a. Benefit low- and moderate-income persons. (Income below 80% of median household income.)

b. 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

Table 3: Wisconsin Development Fund Financial Assistance by Programs -- Amounts Awarded and Encumbered

	1991-93	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09
Capital Financing [b]	$6,325,100	$17,136,000	$7,942,000	$11,072,800	$5,314,700	$6,443,900	$11,142,500	$12,865,500	$2,902,500
Labor Training [c]	3,216,500	5,502,400	9,088,700	6,454,300	9,146,400	7,772,900	3,685,700	1,477,200	930,100
Technology Development	2,191,200	2,229,700	743,800	3,053,600	7,288,000	3,935,200	1,728,000	5,829,700	650,000
Entrepreneurial Development [d]	123,000	111,300	56,000	22,500	226,100	620,200	676,200	130,500	---
Legislative / Other [e]	2,176,100	7,474,200	117,200	2,500,000	3,700,000	1,560,000	600,000	4,200,000	3,700,000
Total	$14,031,900	$32,453,600	$17,947,700	$23,100,200	$25,675,200	$20,332,900	$17,832,400	$24,502,900	$8,182,600

[a] Award amounts through October, 2008.
[b] Includes export development loan and Wisconsin trade project program grants.
[c] Includes manufacturing assessment grants in 1991-93, and Business Employee Skills Training (BEST) grants beginning in 1999-01.
[d] Early planning, technology assistance, and entrepreneurial training grants (ETG) are administered by the Wisconsin Entrepreneurs Network (WEN) with funding from Commerce. Commerce makes grants to WEN to fund the entrepreneurial development programs. These grants are included in capital financing awards. A total of $1.2 million was awarded in 2008-09. Totals also include employee ownership grants.
[e] Includes specific legislative awards (i.e., Urban Hope, Racine Center for Advanced Technology, WMEP) and awards through previous WDF grant and loan programs (i.e., manufacturing assistance grants and hazardous pollution assessment grants).

capacity; and (4) other sources of funding are not available on a timely basis.

c. Prevention or elimination of slums or blight.

State administered CDBG programs provide funding to nonentitlement areas which include most cities with populations of less than 50,000 and counties with populations of less than 200,000. Municipalities ineligible for 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

Waukesha County and most communities in Waukesha County

Dane County and certain communities in Dane County

Appleton	Janesville	Oshkosh
Beloit	Kenosha	Racine
Eau Claire	La Crosse	Sheboygan
Green Bay	Madison	Superior
Fond du Lac	Neenah	Wausau

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, and 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, and up to 5% for the emergency grant program. Federal guidelines allow the state to retain $100,000 plus 2% of each annual award for state administrative costs associated with the program.

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

CDBG Economic Development Program. The economic development program provides grants to local governments that use the funds to help finance business startups or expansions and investments and creating or retaining jobs in the state.

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:

a. The level of unemployment and poverty in the area.

b. The prospects for new investment and economic development.

c. The amount of investment; full-time jobs created and retained; the cost per full time job created; the amount of wages and benefits provided.

d. The willingness to work with other governmental entities.

e. The assurance of loan repayment.

f. Prospects for unreasonable competitive advantage and relocation and job displacement elsewhere.

g. Redevelopment of brownfield sites.

h. 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.)

CDBG economic development funds are granted to local governments that provide loans to companies to supplement other financing for projects that involve business startups, expansions or retentions, employee training, or capital investment in new technologies. Grants have also been made to support WEN. The maximum grant that a community may borrow is $1 million per year. The maximum amount of economic development assistance a business may receive from one or more local governments is $1 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.

A local government may establish a local revolving loan fund with CDBG economic development 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.

Local governments must use CDBG funds for one of the following purposes that are designed to benefit low and moderate income persons: (a) a loan to a business that agrees to engage in job creation or retention activities; (b) job training, job placement, child care, transportation, or other similar services eligible under federal law; or (c) 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: (a) acquisition of land, buildings, and fixed equipment; (b) construction, expansion, and remodeling; and (c) working capital for inventory and direct labor.

Loan terms are five to seven years for working capital, five to 10 years for equipment, and 12 to 20 years for real estate. Loans are provided at below market interest rates, typically 4%.

Funds cannot be used for:

a. Refinancing, purchasing motor vehicles, or for certain other costs.

b. Projects which provide a business an unreasonable competitive advantage over other state businesses in the same industry.

c. 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. The milk volume production program was created in 2002 and is funded by CDBG economic development monies. However, it is administered in conjunction with the Department's Dairy 2020 program activities.

The program provides financial assistance to dairy producers that are undertaking capital improvement projects that will result in a significant increase in Wisconsin's capacity to produce milk. Grants are made to eligible local governments which use the funds for loans to local dairy producers.

The level of Commerce participation is based on a comprehensive evaluation of the project based on the following criteria: (a) financial management skills; (b) production management skills; (c) labor management experience; (d) environmental management skills; and (e) the ability to secure private sector financing necessary to make the project successful.

The local government can use loan repayments to establish a revolving loan fund that can be used to assist other economic development projects.

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 4% 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. Project costs are limited to the cost of acquiring dairy cows. 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. Loans are generally awarded for purchases of between 40 and 400 cows or $20,000 to $200,000.

CDBG Public Facilities Program. The public facilities program provides financial assistance to local governments to fund projects that correct deficiencies in public infrastructures that affect public health, safety, or another essential need.

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. In reviewing applications, the Department includes other criteria, generally, per capital property wealth in addition to assigning points in four specific categories. Grants are awarded to individual municipalities based on an evaluation of the scores 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 (significant impact project), an imminent health and safety problem (moderate impact project), or likely health and safety problems, or is required to meet other essential needs (low impact project). 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. Additional points toward rankings are awarded to distressed communities as measured by low median income.

As noted, grants are awarded through a competitive process by assigning points to each application according to criteria enumerated in the administrative rules (described in the preceding paragraphs). 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.

Awards can be used to fund public infrastructure and building projects including, public utility system improvements, streets, sidewalks, handicap accessibility projects, and public buildings such as community centers, downtown improvements, and fire stations (excluding buildings used for the conduct of government).

CDBG Public Facilities for Economic Development Program. These grants provide funding for the expansion or improvement of municipal infrastructure which directly benefit individual businesses that will create or retain jobs and invest in the community.

Before CDBG public facilities for 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 grants must be used for projects or activities that meet CDBG national objectives related to creating or retaining jobs benefiting low or moderate income persons or preventing or eliminating blight.

The Department must also consider a number of other factors including:

a. The level of unemployment and poverty in the area.

b. The prospects for new investment and economic development.

c. The amount of investment.

d. Full-time jobs created and retained.

e. The cost per full time job created.

f. The amount of wages and benefits provided.

g. The willingness to work with other governmental entities.

h. Prospects for unfair competitive advantage and relocation and job displacement elsewhere.

i. Redevelopment of brownfield sites.

j. 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.

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 for grant funds include improvements to infrastructure such as water systems, sewerage systems, roads, and other such facilities that are owned by a local governmental unit, which principally serve a business entity that creates jobs.

CDBG Emergency Assistance Program. The emergency assistance program provides funds to eligible local units of government in Wisconsin that are in need of assistance due to a natural or manmade disaster. CDBG emergency assistance funding is awarded to local units of government which provide housing assistance to low- and moderate-income homeowners or public facility assistance to the unit of government to address damage caused by the disaster. The situation must be such that it is not practical to apply for and receive assistance through the normal CDBG community development--public facilities application cycle. (Discussion of CDBG emergency housing assistance is included in the Legislative Fiscal Bureau informational paper entitled "State Housing Programs".)

Commerce is currently authorized to set aside a portion of the annual small cities CDBG allocation to Wisconsin for use for emergency assistance grants for public infrastructure. Administrative rules had limited the amount of set aside to 5% of the annual small cities CDBG allocation to the state. However, through an emergency rule process, Commerce amended the CDBG allocations to address the greater than anticipated disaster relief assistance resulting from the severe storms and widespread flooding events in 2008 that severely impacted households and communities in southern Wisconsin. The revised emergency rules allow the Department to use any available funds, and to base award amounts on the scope of the damages and destruction in the community.

In order to award an emergency public infrastructure grant, Commerce must determine that all of the following criteria are met:

a. The municipality has suffered a natural disaster or other catastrophic event.

b. The project for which funding is requested is designed to alleviate existing conditions that pose a serious and immediate threat to the health, safety, or welfare of the community.

c. The local government will use the emergency grant to pay for public infrastructure repairs or replacements that are otherwise eligible for CDBG public facilities grants, or for emergency services necessitated by the natural disaster or catastrophic event.

d. The local government lacks the financial capacity to pay for the infrastructure or replacements based on consideration of: (1) the local government's general obligation debt borrowing; (2) the availability of funding from other federal and state government sources; (c) the availability of funding from other federal and state government resources; and, (4) other relevant factors.

e. The local government will provide matching funding of at leas 25% of project costs.

A local unit of government that has recently experienced a natural or manmade disaster may apply to Commerce within 60 days of the date of the disaster for assistance in addressing housing and infrastructure problems caused by the disaster. Applications for emergency assistance must include the following:

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

b. A description of the resulting damage or destruction.

c. A description of the activities that will be funded with an emergency grant.

d. A budget.

e. Evidence that the local government has matching funds to cover at least 25% of the total cost of the project.

f. A discussion of alternative remedies available to the local government.

g. Any other information the Department considers relevant.

2008 emergency rules allow Commerce to base CDBG emergency assistance grants on the scope of the damages and destruction in the affected community. The maximum emergency assistance grant that can be awarded a municipality is $500,000. Grant funds may be used for replacement or repair of public infrastructure, including streets and sidewalks, street lights, community centers, and publicly owned utility systems. Emergency assistance grants may not be used to fund repairs or other costs covered by insurance or other federal or state assistance and any repairs not directly related to the disaster.

CDBG Blight Elimination and Brownfield Redevelopment Program. The program provides 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. This program includes the state-funded brownfields grant program and the CDBG blight elimination and brownfield site redevelopment program. Total annual funding is about $7.5 million of which $7.0 million SEG is from the state brownfields grant program, and about $500,000 is CDBG funding.

In order to make a CDBG grant, Commerce must determine that all of the following conditions are met:

a. The project serves a public purpose.

b. The local government has a citizen participation plan.

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

d. The project costs are reasonable.

e. All sources of project financing will be committed prior to disbursement of the CDBG grant.

f. 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.

g. The project will likely retain or create jobs in the state.

h. 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:

a. Whether the project is intended to prevent or eliminate slums or blight.

b. The extent of poverty and unemployment and other economic factors in the area.

c. The amount of investment.

d. The likelihood and number of full-time jobs created or retained.

e. The amount of estimated tax base to be created when the project is complete.

f. The likelihood that the project activity will commence shortly after receipt of the grant.

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.

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 environmental audits 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.

Grants may be used for brownfields redevelopment or associated environmental remediation activities. Eligible costs are determined during review of the grant application. Grant funds may be used for the following activities (a) environmental investigation, remediation, or groundwater monitoring of the site; (b) removal of underground storage tanks or hazardous waste containers; (c) the acquisition cost of the brownfield site; (d) site clearance, building demolition, or building renovation; (e) asbestos and lead paint abatement; and (f) infrastructure improvement.

CDBG Planning Grant Program The planning grant program provides funding to local governments and community partnerships that have identified a community or economic development concern, or opportunity, and lack the resources needed to plan an appropriate response. The program is intended to: (a) assist communities in developing clear and actionable strategies for addressing specific site, neighborhood, community or regional economic development needs; and, (b) to improve the quality of community or economic development projects by helping to fund local plans.

Applications for grants are evaluated using the following criteria:

a. The need for a plan.

b. Demonstration of community distress.

c. Evidence that key community stakeholders believe the issue being addressed is critical to enhancing community vitality.

d. The ability to undertake all activities associated with planning, and to supply the required matching funds.

e. Demonstration that the proposed planning activity follows or reinforces local smart growth plans.

f. likelihood that the applicant is prepared to implement the plan in a timely manner.

g. Preference is given to plan proposals that address downtown/main street and central business areas.

h. Preference is given to plan proposals that focus on the preservation and revitalization of existing neighborhoods.

i. Preference is given to plan proposals that involve collaboration between public and private stakeholders.

In addition, to qualify for funding, a planning proposal must address an activity which, if implemented, meets one of the CDBG national objectives in benefiting low or moderate income persons, or addresses a slum or blighted area in the community. The proposed planning activities must relate to projects that would be eligible for CDBG funding. Typical eligible planning activities involve feasibility studies, project plans, redevelopment plans, infrastructure needs assessments supporting housing, efficient land use, economic development, downtown revitalization, and historic preservation. Within one year of finalizing a planning grant contract the plan must include a discussion of outcome alternatives, preferred outcomes, specific plan implementation steps, schedules, preliminary cost estimates, and potential financing sources for plan implementation.

There are four categories of CDBG planning grants available to eligible local units of government.

Regional Economic Development Grants. Regional economic development grants are intended to encourage multi-county and regional approaches to addressing economic development issues, and are provided to counties or multi-county partnerships to develop plans to diversify the local or regional economy, attract new businesses and jobs, coordinate economic development activities, respond to sudden and significant job loss and persistent high unemployment, or address other significant economic issues. Commerce provides grants of up to $25,000 for a project with county-wide focus, or up to $20,000 per county, with a maximum total of $100,000, for multi-county partnerships.

Community Planning Grants. Community planning grants are provided for both community wide planning, and for developing strategies that are more narrowly focused on specific existing neighborhoods, including business districts that are in, or in danger of, decline or deterioration. Commerce provides CDBG planning grants of up to $25,000 for planning and strategic development activities that: (a) develop and utilize collaborations among community stakeholders; (b) assess and analyze demographic and economic data (including downtown market analysis); (c) address economic or physical conditions; (d) prepare plans to physically improve downtown business districts; or (e) conduct environmental or historic preservation studies. Community planning grants can be used to fund community waterfront revitalization project plans.

Site Specific Planning Grants. Site specific planning grants are provided to assist in planning for the use or reuse of a specific site, such as the adaptive reuse of a former hospital or school building, or the potential use of a parcel of land. Funding of up to $15,000 is provided. Eligible planning activities include community assessments, needs analysis and prioritization, strategy development, preliminary design, and actions to organize, survey, and engage affected residents, stakeholders and beneficiaries.

Functional Planning Grants. Functional planning grants are used to assist communities in assessing or developing specific responses to broader needs that exist in the community. Grants of up to $15,000 are provided. Potential targets for these grants include implementation strategies for comprehensive plans; affordable housing; energy conservation; accessibility; historic preservation; small business assistance; flood mitigation; telecommunications services; or response plans to plant closings, natural disasters, or other emergencies.

A total of $600,000 in annual CDBG funding is provided for planning grants. Successful applicants must provide a match of at least 50% of the total grant award from non-federal and non-state sources.

In addition to awards provided through regular CDBG programs, the Legislature has specified that certain grants be made from CDBG funds.

The 2001-03 biennial budget, as passed by the Legislature, included a provision that 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 was 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.

The 2005-07 budget, as passed by the Legislature, would have required Commerce to make the following CDBG public facilities grants in 2005-06: (1) a grant of $274,000 to the Village of Wonewoc in Juneau County for a water reservoir; and (2) a grant of $80,000 to the Town of Ithaca in Richland County for a water well. Each municipality was required to submit a report detailing use of the grant proceeds within six months of spending the full amount. The Governor item-vetoed these provisions.

Table 4 displays the total amount of small cities CDBG funding received by the state from 1985 through the 2008 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 program year.

Minority Business Development Program

The Minority Business Development (MBD) program was created in 1989 and provides the following types of financial assistance: (a) early planning grants; (b) entrepreneurial training grants; (c) business development grants and loans; (d) grants and loans to local development corporations for development projects and local revolving loan fund programs; (e) business incubator grants; and (f) education and training grants. The Department also makes business employee's skills training (BEST) grants through MBD. As previously noted,

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
2005	9,133,900	7,016,300	350,000	10,746,200*	1,100,000	700,000	1,400,000	314,900	729,800	31,491,100
2006	5,911,700	5,084,800	350,000	15,109,600*	1,000,000	---	---	284,100	668,200	28,408,400
2007	4,228,100	7,101,100	400,000	9,681,500	1,000,000	---	4,250,600*	286,200	672,400	28,619,900
2008	550,800**	1,292,600**	600,000	9,392,600	---	---	15,000,000**	277,700	665,400	27,769,100

* Includes an allocation of $90,000 to the Main Street program.
** The decline in funding amount reflects funds used for emergency grants for flood relief.

the Wisconsin Entrepreneur's Network (WEN) awards early planning grants and entrepreneurial training grants, with funding provided by the Department. Final approval of MBD awards rests with the Minority Business Development Board. The Board consists of five persons appointed by the Governor for two-year terms.

Similar to the WDF (and other Commerce grant and loan programs), the MBD program is funded through both a GPR appropriation and a program revenue repayments appropriation. 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.

Table 5 shows MBD loan repayments and program revenue expenditures for each fiscal year from 2001-02 through 2007-08. The table indicates that there was a substantial unencumbered balance in the repayments appropriation at the end of 2007-08. 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 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 2008-09). In 2004-05 and 2005-06, expenditures were significantly higher than revenues. Similarly, the annual expenditure authority exceeded annual revenues. However, in recent years annual revenues have exceeded expenditures. This is reflected in an increase in the balance in the repayments appropriation between 2006-07 and 2007-08.

The Minority Business Development Board may not award a grant or loan for a project unless, after considering the application and other material submitted by an eligible recipient, it determines that all of the following criteria have been met:

a. The project serves a public purpose.

b. The project will retain or increase employment in Wisconsin.

c. The project is not likely to occur without the grant or loan.

d. Financing is unavailable from any other source on reasonably equivalent terms.

e. The recipient of the grant or loan will

Table 5 MBD Loan Repayment Appropriation -- Annual Revenues, Expenditures, and Expenditure Authority

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Prior Year Unexpended Revenue	$870,100	$1,034,200	$1,097,700	$1,137,800	$1,031,700	$895,900	$914,900
Current Year Revenue	286,500	304,600	294,500	185,100	188,600	224,300	336,000
Total Revenue	$1,566,600	$1,338,800	$1,392,200	$1,322,900	$1,220,300	$1,120,100	$1,250,900
Expenditures	122,400	241,100	254,400	291,200	324,400	205,300	203,100
Year End Unexpended Revenue	$1,034,200	$1,097,700	$1,137,800	$1,031,700	$895,900	$914,900	$1,047,800
Encumbrances	261,000	341,100	573,400	395,900	68,200	351,900	136,200
Year End Unencumbered Balance	$773,200	$756,600	$564,400	$635,800	$827,700	$563,000	$911,600
Expenditure Authority	$477,200	$317,200	$571,400	$317,200	$317,200	$317,200	$317,200

contribute required matching funds and meet other requirements.

f. Grant or loan funds will not be used to replace funds from any other source.

g. The project will not displace workers in the state.

h. The project has sufficient potential to be profitable.

i. If a development finance project, or education and training project, state funds will not be used to refinance existing debt.

j. If a development project, the project has potential to promote economic development and employment opportunities for minority group members or minority businesses.

k. The project meets any other criteria established by Commerce by rule.

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:

a. 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.

b. 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.

c. The likelihood that the project will be successful.

d. If a development project, the financial soundness of the minority business involved and the commitment of the recipient to repay the state funds.

General provisions and definitions as well as program specific statutory provisions and administrative rules govern each of the MBD programs.

Minority Business Early Planning Grants. Early planning grants 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. The early planning grant program is administered by the Wisconsin Entrepreneur's Network (WEN), with funding from Commerce.

Entrepreneurial Training Grants. Entrepreneurial training grants provide funds for individuals to participate in the University of Wisconsin-Extension Small Business Development Center (SBDC) Entrepreneurial Training Program. The entrepreneurial training grant program is administered by the Wisconsin Entrepreneur's Network (WEN), with funding from Commerce.

Minority Business Development Grants and Loans. Minority business development loans 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 employment opportunities for minority group members or minority businesses. Eligible applicants are minority group members who are residents of this state and minority businesses. Applicants must have a comprehensive business plan fully describing the proposed project.

Applicants must submit specified information the Bureau of Minority Business. The information is used to assist he 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 to determine the amount of the award. 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.

The maximum amount that can be awarded to an eligible recipient for a development project is $100,000. The award amount is determined by a review process that uses the Department's general underwriting criteria. 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. 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. Commerce may award minority business grants and loans to provide funding to local development corporations for grants and loans, or to provide capital to revolving loan funds administered by local development corporations to fund minority business development projects. Eligible applicants are local development corporations that are controlled and managed by minority group members. The local development corporation must: (a) operate within specific geographic boundaries; (b) promote economic development within a specific geographic area; and (c) demonstrate a commitment to and experience in economic development with minority groups, members, or businesses.

Applications submitted by local development corporations must include: (a) documentation of eligibility and strategic plan of organization; (b) evidence of fiscal capacity; (c) revolving loan fund plans, policies and procedures; (d) information about staff; and (e) other related information.

The maximum amount the Board may award to any one eligible local development corporation for grants and loans is $200,000 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 must be used to: (a) make grants or loans up to $50,000 to minority group members or minority businesses for development projects; or (b) 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.

Local development corporation and revolving fund grants and loans can be used to fund: (a) costs incurred in the start-up of a minority business: (b) the expansion or acquisition of a minority business; or (c) for the promotion of economic development and employment opportunities for minority group members or minority businesses. All funds must be used for financing; funding cannot be used for administration.

Minority Business Finance Grants and Loans. The MBD Board is authorized to make grants to nonprofit organizations or private financial institutions for micro-loans for minority group members and minority-owned businesses. Eligible applicants are 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 that provide commercial loans in the state. The Board makes grants to financial institutions or nonprofit organizations for micro-loans, and to fund financing costs for minority group members and minority businesses. Micro-loans made by these institutions and organizations cannot exceed $5,000. Matching funds equal to 25% of project costs are required. Nonprofit organizations and financial institutions may use grant proceeds for (a) loans for working capital; and (b) paying origination fees or other administrative costs associated with making loans for working capital.

Education and Training Grants. The Board may award grants to a nonprofit organization that is a minority business to fund an education and training project. "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 from an eligible nonprofit organization.

A "minority business" is a sole proprietorship, partnership, limited liability company, joint venture or corporation that is: (a) 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 (b) is currently performing a useful business function.

A "minority group member" is one of the following: (a) a Black; (b) a Hispanic; (c) an American Indian; (d) an Eskimo; (e) an Aleut; (f) a native Hawaiian; (g) an Asian-Indian; and (h) 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: (a) the elected governing body of an Indian tribe or band, or a business created by the elected governing body, or (b) 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: (a) 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 (b) 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.

Existing MBD funding has sometimes been set-aside for a specific purpose. As a result of 2005 Wisconsin Act 25, Commerce made a grant of $375,000 in 2005-06 and 2006-07 to the Bishop's Creek redevelopment project in Milwaukee.

Table 6 shows total MBD funding and the amount awarded and encumbered for the last 11 fiscal years. The table is based on information from Department of Commerce MBD program history reports. Program revenue repayments shown in the table represent the amount appropriated 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: Minority Business Development Program Appropriations and Amounts Awarded and Encumbered

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Appropriations											
GPR	$429,200	$429,200	$329,200	$329,200	$279,200	$279,000	$0	$254,200	$254,200	$254,200	$254,200
PR Repayments	493,400	167,200	267,200	267,200	477,200	317,200	571,400	317,200	317,200	317,200	317,200
Total MBD Funding	$922,600	$596,400	$596,400	$596,400	$756,400	$596,400	$571,400	$571,400	$571,400	$571,400	$571,400
Awards*											
Funding Set Asides	$0	$0	$0	$0	$160,000	$0	$0	$0	$0	$0	$0
Early Planning Grants**	156,500	135,500	120,900	158,500	187,300	150,600	147,300	32,700	15,000	0	0
Business Development Grants and Loans	314,100	576,500	173,000	474,300	342,200	283,500	433,700	406,100	320,000	682,500	185,000
Revolving Fund Grants and Loans	0	0	0	0	0	0	100,000	0	0	100,000	0
Minority Business Incubator Grants	0	0	0	45,000	0	0	0	0	0	0	0
Total Awards Encumbered	$470,600	$712,000	$293,900	$677,800	$689,500	$434,100	$681,000	$438,700	$340,000	$182,500	$185,000

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. Awards are made by the Wisconsin Entrepreneur's Network. Funding is provided by block grants from Commerce to WEN. In 2008-09, $1.2 million in WDF funding was provided

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

Wisconsin Energy Independence Fund: Renewable Energy Grant and Loan Program

The renewable energy grant and loan program was created by 2007 Wisconsin Act 20 and is intended to provide financial assistance to support research and development, manufacture and production of new clean-energy products, and ways to make clean energy use widespread and cost-effective. Renewable energy grants and loans are funded with recycling fund revenues through a biennial SEG appropriation. Total funding of $7.0 million in 2007-08, and $15.0 million in 2008-09 and, annually, thereafter is provided. Under the statutes, the current WDF program revenue repayments appropriation can also be used to fund renewable energy awards. The program is often referred to as the Wisconsin Energy Independence Fund, and is administered by Commerce, with assistance from the Governor's Office of Energy Independence.

Business and researchers must apply to Commerce for a renewable energy grant or loan. Commerce is required to consider all of the following criteria to evaluate applications for renewable energy grants and loans:

a. The extent to which the project will aid in research, development, or use of renewable energy resources in Wisconsin.

b. The extent to which the project will improve the competitive position or enhance the capabilities of Wisconsin's renewable energy industries.

c. Whether the project is one in which Wisconsin holds a competitive advantage over other states.

d. The likelihood that the project will lead to the commercial application of new practices or technologies that involve the development, production, processing, or distribution of renewable energy.

e. The extent to which the project will use existing, surplus, or by-products of natural resources in this state.

f. The extent to which the project will strengthen Wisconsin's existing industries by converting wastes or by-products generated by existing industries into renewable energy.

g. The extent to which the project will develop technologies to increase the capacity of Wisconsin's manufacturing industries to utilize renewable energy sources.

In evaluating applications for grants or loans, Commerce may also consider: (a) criteria used to award WDF grants and loans; (b) whether the applicant is a small business, a minority owned business, a locally owned business, or a farm; and (c) the geographical distribution of the grants and loans that are awarded. Commerce is authorized to promulgate administrative rules necessary to administer the Energy Independence Fund renewable energy grants and loans program. However, Commerce is required to consult with the Department of Agriculture, Trade, and Consumer Protection (DATCP), the Department of Natural Resources, (DNR), and the Public Service Commission (PSC).

Applicants for renewable energy grants or loans from the Wisconsin Energy Independence Fund follow a prescribed selection process. Commerce staff first prescreen applications to ensure eligibility. Applications are then scored by a technical review panel, comprised of public and private energy experts. The strongest projects proceed to the next stage of review. Commerce staff evaluate the identified projects, and prepare and submit a preliminary funding recommendation to the Governor's Energy Independence Award Council (GEIAC). The GEIAC convenes to evaluate the projects, and, based on the evaluation, approves and makes funding recommendations on approved projects. The GEIAC consists of six state representatives (the Secretary or designee of the Departments of Commerce, Agriculture, Trade and Consumer Protection, and Natural Resources; the Commissioner of The Public Service Commission; the Director of the Office of Energy Independence; and a representative of Commerce's Business and Development Division) and five public members selected by the Governor for their expertise and knowledge in clean energy science and technology development, including one member of the WDF Board. As the final step in the process, the Secretary of Commerce reviews the GEIAC recommendations, approves the final award funding, and notifies awardees. Award amounts to applicants may be less than the amounts requested. The final determination is based on a competitive analysis of relevant factors, including the type of new technology being developed, demand for available funds, demonstrated need, other leveraged funds, and receipt of prior Commerce funding.

A program objective for the Energy Independence Fund, renewable energy grant and loan program, is to help the state become a leader in the renewable energy industry by: (a) increasing public and private investment in renewable energy; (b) expanding the renewable energy industry in the state; and (c) capturing an increasing share of the renewable energy market. The program will also be used to increase renewable energy usage by: (a) increasing the supply of and access to renewable energies; (b) developing the renewable energy infrastructure; and (c) supporting the commercialization and adoption of renewable energy technologies.

Eligible applicants are Wisconsin businesses and researchers. Commerce anticipates awarding up to $15 million each year through competitive application cycles. Typical awards range between $100,000 and $500,000. Matching funds of at least 50% of total project costs are required, and must come from a source other than government funds from the state.

Statutorily, awards are authorized for:

a. Research and development, including demonstration projects, into renewable energy technologies.

b. Development of renewable energy sources and infrastructure in Wisconsin, including the conversion of nonrenewable energy sources to renewable energy sources.

c. The commercial application of renewable energy technologies.

d. The construction of one or more cellulosic ethanol production plants.

Administratively, Wisconsin Energy Independence Fund, renewable energy grants and loans are used to fund research and development projects, commercialization/adoption projects, and supply chain development projects.

Research and Development Projects. Early stage pre-commercialization research and development activities in transformational, cutting edge, and proprietary clean energy technologies. Matching grants are awarded, and all grant money must be spent in Wisconsin, where practicable. Awards target projects that:

a. Are supported by viable science.

b. Propose "game-changing", transformational technology.

c. Have large market potential.

d. Align with Wisconsin regional strengths.

e. Are likely to be commercialized or manufactured in Wisconsin.

Eligible costs must be directly associated with the proposed research project and include: (a) personnel salaries (except for owners); (b) professional services provided by third parties; (c) equipment critical to the research project; and, (d) supplies and materials.

Commercialization/Adoption Projects. Projects that are commercializing or producing clean energy products and processes, that would support the production and that adoption of energy from renewable sources and manufacture products that increase energy efficiency or use of clean energy. Awards are provided as loans at below market interest at a fixed rate of 4% for the life of the loan. Loans are intended to be gap financing and typically will not exceed 25% of project costs. Terms may include up to one year deferral and the length varies as follows: (a) real estate -- 10 to 15 years; (b) equipment -- 5 to 10 years; and (c) working capital -- 5 to 7 years.

Awards target projects that:

a. Are supported by established science.

b. Have large market potential.

c. Have growth estimates exceeding industry averages.

d. Have significant job creation potential.

Eligible costs include: (a) construction and expansion; (b) working capital; and, (c) acquisition of existing businesses, land, buildings, and equipment. Refinancing is not an eligible cost.

Supply Chain Development Projects. Projects that increase the use and cost-effectiveness of clean energy, by decreasing market barriers to adoption or developing clean energy infrastructure, including the storage, transportation, transmission, and distribution of clean energy. Awards are made as loans with similar interest rates, terms, lengths, match requirements, and eligible costs as commercialization / adoption loans.

Awards target projects that:

a. Eliminate or reduce market barriers to adoption of clean energy sources.

b. Have high market penetration potential.

c. Support clean energy sources with a competitive cost structure compared to existing non-clean energy source options.

"Clean Energy" for purposes of project eligibility means electrical, mechanical, or thermal energy produced from a method that uses one or more of the following fuels or energy sources: (a) hydrogen; (b) biomass; (c) biogas; (d) solar energy; (e) geothermal energy; (f) biofuel; (g) wind energy; or (h) hydroelectric power. In addition, projects that involve the substitution of renewable chemicals for petroleum-derived chemicals are considered "clean energy".

"Business" is defined as any organization or enterprise located or expanding in Wisconsin that is operated for profit, or that is nonprofit and non-governmental, including a proprietorship, partnership, business trust, joint venture, syndicate, corporation or association.

"Researcher" is defined as a person, generally tied to an academic institution, whose project has progressed to the proof of concept stage and who is conducting collaborative research in partnership with an independent private or public entity.

Individual utility companies may participate in the program through partnerships with eligible business or researcher applicants. Funding is awarded to the business or researcher. Municipal or for profit utility companies, as defined under state law, are ineligible for direct financial awards from the program.

2007 Act 20 requires Commerce to award renewable energy grants totaling not more than $5.0 million to a pulp and paper mill that emerged from bankruptcy in Wisconsin if all of the following apply:

a. The grant recipient submits a plan to the Department specifying the proposed use of the grant, and the Secretary of Commerce approves the plan.

b. The Department enters into a written

agreement with the grant recipient that specifies the conditions for use of the grant, including auditing and reporting requirements.

c. The grant recipient agrees in writing to submit to Commerce, within six months after spending the grant proceeds, a report detailing how the grant proceeds were spent.

Appendix II provides a summary of Wisconsin Energy Independence Fund, renewable energy grants and loans in 2007-08.

Community-Based Economic Development Program

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 make revolving loan fund grants was deleted in 2007 Wisconsin Act 125. In general, CBED programs provide financial assistance on a local level for the support of small businesses, entrepreneurs, business incubators and community-based organizations. Annual funding of $712,100 GPR is provided for the community-based economic development programs through a GPR annual appropriation.

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

a. 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.

b. The need and demand for the project.

c. The need for state financial assistance.

d. The qualifications of the persons who will be managing and operating the project.

e. The level of community support, including financial support, for the project.

f. The viability of the project.

g. The likelihood that the project will result in the creation or retention of jobs.

h. The likelihood the project will result in business development.

i. Whether the project is located in a development zone or an enterprise development zone.

j. The quality and effectiveness of the performance of the applicant on previous CBED grants.

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

CBED grants are awarded through an annual competitive funding cycle. Under CBED, a broad range of activities are eligible for funding. However, for 2008, the Department gave preference to applications that: (a) supported activities designed to develop technology-based incubators; (b) targeted promising and innovative community-based projects that promoted entrepreneurship; and, (c) promoted a regional approach to community development and that encouraged collaboration between multiple organizations to implement a unique or innovative solution to a local development problem.

CBED grant programs include grants for business assistance, local development projects, economic diversification plans, business incubators, regional economic development projects, entrepreneurship training and venture capital development conferences. Features of the community-based economic development programs are described in the next sections.

Local Economic Development Project Grants. These grants provide funds to eligible organizations to conduct local economic development projects. Eligible applicants are community-based organizations.

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. 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.

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

a. 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.

b. Implementation of training programs for local economic development professionals.

c. Development or implementation of plans that support local economic development projects.

Business Assistance Grants. Business assistance grants provide funds to community-based organizations for management assistance to small businesses planning a start-up or expansion project, if the Department determines the business will provide jobs. Community-based organizations are eligible for grants.

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. 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.

Grants may be used to provide one or more of the following direct management services to small businesses that are planning start-up or expansion projects in the service area of the community-based organization:

a. Production of feasibility studies, financial plans, financial projections, or business plans.

b. Assistance with preparation of loan applications or with reviewing in-house operating procedures.

c. Entrepreneurship and management training.

Economic Diversification Planning Grants. These grants are awarded to political subdivisions to allow them to develop economic development or diversification plans. Eligible applicants include community-based organizations or political subdivisions (counties, cities, villages, towns and Indian tribes).

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. 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.

Grants may be used to develop economic development plans for: (a) diversifying the local or regional economy; (b) attracting new businesses and jobs; or (c) 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. The program provides grants to support business incubators or technology-based incubators. Eligible applicants are community-based organizations that use grant monies to support business incubators or technology-based incubators.

Prior to making an award, Commerce must determine that:

a. 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).

b. 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:

a. The potential of the incubator (business and technology-based) to help start business.

b. The potential of the incubator to provide employment opportunities.

c. How the unemployment rate in the area in which the incubator is or will be located compares to the state average.

d. How the household income levels of residents in the area compare to the applicable median household income.

e. 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.

f. How the percentage of households in the area that are participating in Wisconsin Works (W-2) compares to the statewide percentage of households that are participating in W-2.

g. 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.

h. Whether the incubator is or will be located in a development or enterprise development zone.

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: (a) incubator operations grants for more than five years; (b) more than two technical assistance grants; (c) more than two start-up or rehabilitation grants; or (d) 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 or is sold during that time, Commerce may require repayment of the award based on specified repayment provisions.

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

a. The operation of an existing incubator.

b. Technical assistance in the process of starting an incubator, including planning, engineering, architectural and legal services and assistance in preparing a feasibility study of the need for and initial design of an incubator or a business plan.

c. Starting, expanding or rehabilitating an incubator.

d. Creation of a revolving loan fund for tenants of an incubator.

"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: (a) rental space that is below market rate; (b) shared business services; (c) management and technical assistance; and (d) 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: (a) office and laboratory space; (b) shared clerical and other support service; and (c) managerial and technical assistance.

Regional Economic Development Grants. These grants are made to community-based organizations that join with political subdivisions for regional economic development activity. Eligible applicants include community-based organizations that join with counties, cities, villages and towns.

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

a. The economic development activity is unique to or within the region.

b. The economic development activity is consistent with any economic development policy or plan of the political subdivision.

c. The economic development activity will likely stimulate investment in the region's economy or create or retain jobs in the region.

d. 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.

e. 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.

f. The Secretary of Commerce approves the plan.

In addition to the criteria that must be met before awarding grants, Commerce must also consider:

a. The prospects for new investment and economic development in the region that may result from the proposed regional development activity.

b. The amount of investment likely to result from the economic development activity.

c. The likely impact of the economic development activity on the economy of the region.

d. The likelihood that one or more businesses will relocate outside the region if the economic development activity does not occur.

e. The size of the region affected by the economic development activity.

f. 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.

g. The likelihood that the economic

development activity will result in increased spending in the region by persons who reside in the region.

Grant limits are not specified in statutes or rules. However, grants typically do not exceed $100,000. Grants may be used to fund 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.

Entrepreneurship Training Grants. Entrepreneurship training grants provide funding to non-profit organizations for entrepreneurship training for economically disadvantaged and at-risk children. Eligible applicants are 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.

In awarding grants, Commerce must consider the following:

a. The extent to which the applicant partners with educational institutions in designing and implementing the training projects.

b. The extent of collaboration with area businesses for financial and operational support.

c. The extent to which the training projects provide real-life experiences for youth.

d. Placement and follow-up activities.

e. Expertise in working with economically disadvantaged or socially at-risk children.

The maximum grant amount is not specified in the statutes but is typically $30,000. 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. These grants provide funds to community-based organizations or private nonprofit organizations for venture capital development conferences. Community-based organizations and private, non-profit organizations are eligible for awards.

Commerce may award grants if the following criteria are met:

a. The venture capital development conference will assist entrepreneurs in the state in obtaining capital for the start-up or development of a business.

b. The conference is likely to stimulate investment, promote economic development or create or retain jobs in Wisconsin.

c. 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.

d. The Secretary of Commerce approves the plan.

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

a. The applicant's access to capital markets.

b. The experience of the applicant in linking investors with emerging businesses.

c. The experience of the applicant in providing business plan assistance.

d. The size of the area in which the project will be located.

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

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

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:

a. The unemployment rate is 150% of the state average.

b. At least 40% of residents are in households with household income at or below 80% of applicable median household income.

c. 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.

d. The project will be located in a development zone.

e. At least 5% of the workforce in the municipality were permanently laid off during the previous 18 months.

f. 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.

Table 7 shows appropriation amounts and award amounts for community-based economic development programs over the past 11 fiscal years. Information presented in the table is from Department of Commerce, CBED program history reports.

Rural Economic Development Program

The Rural Economic Development Program (RED) 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

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

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Appropriation	$727,100	$762,100	$762,100	$762,100	$762,100	$762,100	$712,100	$712,100	$712,100	$712,100	$712,100
Grants Awarded and Encumbered:											
Business Assistance	$190,500	215,000	206,100	$65,000	$60,000	$202,000	$137,000	$25,000	$38,500	$18,000	$81,000
Economic Development Project	37,600	99,100	65,000	27,500	60,000	53,000	56,500	20,000	25,000	20,000	0
Economic Diversification	142,000	25,000	36,000	89,100	14,500	45,000	9,000	0	0	0	0
Business Incubator	182,000	215,000	210,000	347,500	344,500	235,100	229,000	285,000	238,000	196,900	74,800
Regional Economic Development	100,000	100,000	25,000	25,000	27,500	100,000	155,600	160,000	131,600	282,200	357,300
Revolving Loan Fund	0	0	0	0	38,000	40,000	0	0	0	0	0
Entrepreneurship	0	33,000	45,000	35,000	40,000	20,000	50,000	42,500	104,000	20,000	24,000
Venture Capital Development Conference	75,000	75,000	75,000	60,000	67,500	65,000	75,000	75,000	75,000	75,000	75,000
Other	0	0	100,000*	113,000**	110,100**	0	0	104,600**	100,000**	100,000**	100,000**
Total Grants	$727,100	$762,100	$762,100	$762,100	$762,100	$762,100	$712,100	$712,100	$712,100	$712,100	$712,100

*Grant to City of Menasha for pedestrian enhancements to the city square.
**Grant to Women's Business Initiative Corporation.

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.

Loan repayments are placed in the program revenue repayments appropriation and used to fund additional RED awards. Table 8 shows program revenue repayment revenues, expenditures, and appropriation authority for seven fiscal years. The table indicates that a substantial year-end, unencumbered balance existed in the appropriation at the end of fiscal year 2007-08. This was primarily due to a low level of expenditures for the appropriation through 2004-05, and a substantial increase in repayments in the appropriation in recent years. 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. Expenditure authority was reduced back to prior year levels beginning in 2004-05.

General provisions and definitions along with specific statutory program provisions and administrative rules govern administration of the RED program. RED grant and loan programs include planning grants, working capital/fixed asset financing grants and loans, Dairy 2020 early planning, modernization, expansion, and start-up grants.

For the Board to approve planning grants or working capital and fixed asset financing grants and loans the following must apply:

a. The business, together with any affiliate, subsidiary, or parent entity, has fewer than 50 employees.

Table 8: RED Loan Repayment Appropriation -- Annual Revenues, Expenditures, and Expenditure Authority

	2001-02	2002-03	2003-04	2004-05	2005-06	2007-08	2008-09
Prior Year Unexpended Revenue	$261,700	$233,800	$341,200	$532,100	$615,800	$634,500	$602,800
Current Year Revenue	147,800	192,900	298,900	180,200	231,300	291,500	372,600
Total Revenue	$409,500	$426,700	$640,100	$712,300	$847,100	$926,000	$975,400
Expenditures	175,700	85,500	108,000	96,500	212,600	323,200	133,200
Year End Unexpended Revenue	$233,800	$341,200	$532,100	$615,800	$634,500	$602,800	$842,200
Encumbrances	41,300	97,100	90,100	297,900	145,300	209,700	73,400
Year End Unencumbered Balance	$192,500	$244,100	$442,000	$317,900	$489,200	$393,100	$768,800
Expenditure Authority	$120,100	$120,100	$357,800	$120,100	$120,100	$120,100	$120,100

b. The business is located in a rural municipality.

c. The business is starting or expanding its operations.

Between 25% and 50% of these grants and loans must be awarded for purposes related to agricultural businesses. The Departments of Agriculture, Trade, and Consumer Protection (DATCP) and Commerce are required to designate staff to evaluate applications for grants and loans for purposes related to agricultural businesses and to make recommendations and assist the board in reviewing and approving applications.

As a lead agency in the Dairy 2020 initiative, Commerce has worked through the Diary 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.

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

Grants for Professional Services (Early Planning Grants). Early planning grants provide funding for professional services related to starting or expanding a business, and for management assistance continuing after the start-up or expansion. The early planning grant program is administered by the Wisconsin Entrepreneur's Network (WEN), with funding from Commerce. Final approval of grants rests with the Board.

Dairy 2020 Early Planning Grant Program. To provide financial assistance to stimulate the start-up, modernization, and expansion of Wisconsin dairy farms. The Dairy 2020 early planning grant program is administered by WEN, with funding from Commerce. Eligible applicants include existing and start-up Wisconsin dairy producers. 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.

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.

Grants may be used to cover the cost of having an independent third party provide the professional services associated with obtaining a business plan to assist in evaluating the start-up, modernization, or expansion of a Wisconsin dairy farm.

Costs not eligible for funding include: (a) costs of applying for Dairy 2020 assistance; (b) attorney fees associated with creation of legal documents; (c) engineering services such as building design, farmstead layout, and manure storage; (d) retirement and investing planning; (e) tax planning and tax return preparation; (f) intergenerational transfer planning; (g) information system development or consulting; (h) loan generation/origination documentation; (i) chattel or real estate appraisal; (j) crop nutrition and consulting; (k) nutrient management planning; (l) herd health consulting; and (m) any costs incurred prior to the date the application for a Dairy 2020 early planning grant is approved.

Entrepreneurial Training Grants. 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 Program. The Entrepreneurial Training Grant Program is administered by WEN, with funding from Commerce.

Loans for Working Capital and Fixed Asset Financing. The program provides working capital or fixed asset financing for starting or expanding a business in a rural area, or to fund employee relocation costs.

Awards are provided as grants or loans for up to 50% of project costs. 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. 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.

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. This is a specific grant program that provides funds to improve the profitability and competitiveness of the dairy industry and other related agricultural businesses. Eligible applicants include persons or businesses that are starting, modernizing, or expanding dairy farms or agricultural businesses.

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

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.

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: (a) preparation of preliminary feasibility studies, feasibility studies, or business and financial plans; (b) providing a financial package; (c) engineering studies, appraisals, or marketing assistance; or (d) 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.

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.

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.

Table 9, which includes information from Commerce RED program history, shows total RED funding and awards for fiscal years 2001-02 through 2007-08.

Table 9: Rural Economic Development Appropriations and Amounts Awarded and Encumbered

	GPR	PR	Total	Awards Encumbered
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	985,685*
2005-06	606,500	120,100	726,600	1,011,300*
2006-07	606,500	120,100	726,600	776,600
2007-08	606,500	120,100	726,600	680,500

*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.
Source: Department of Commerce, RED program history report.

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 2003-04.

The state brownfields grant program is administered in conjunction with the CDBG blight elimination and brownfields redevelopment (BEBR) program. Approximately $7.5 million in annual funding is provided through both programs. The combined state and CDBG grant programs is often referred to as the Blight Elimination and Brownfields Redevelopment Program. The CDBG, BEBR program is described in the CDBG section of this paper.

Commerce is required to base awards on the following criteria:

a. 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.

b. Whether the project will have a positive effect on the environment.

c. The amount and quality of the recipient's contribution to the project.

d. 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:

a. The name, address and contact person of the applicant.

b. A description of the of the proposed project including: location and duration; brownfields redevelopment and environmental remediation activities; costs; funding sources and matches; applicant's financial contribution; implementation schedule; required infrastructure expenditures; and a map.

c. 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.

d. The project's potential to promote economic development.

e. The environmental condition of the site and the project's impact on the environment.

f. The innovativeness of the applicant's proposal.

g. A statement and supporting documentation of the financial stability of the applicant.

h. An explanation of why state assistance is necessary and related verifying statements.

i. A plan for conducting a financial audit of the project and submitting program reports.

k. A certified statement that the proposed project will not result in a net loss of permanent employees.

l. Copies of phase 1 and phase 2 environmental assessments.

The blight elimination and brownfields redevelopment program has a competitive continual application process with applications accepted throughout the year. Decisions on awarding grants are announced approximately 30 days after applications are received.

Brownfields Grants. Brownfields grants provide financial assistance to businesses, nonprofit organizations, and governmental units for economic development and environmental remediation activities in brownfields. Individuals, businesses, municipalities, nonprofit organizations, and trustees are eligible applicants.

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 is 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.

A total of $7.0 million annually is provided for grants through the state grant program. 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: (a) 20% for grants of $300,000 or less; (b) 35% for grants between $300,000 and $700,000; and (c) 50% for grants between $700,000 and $1,250,000. Commerce is required to award at least seven grants for projects that are located in municipalities with a population of less than 30,000.

Grants can be used to fund the costs of brownfields redevelopment projects and associated environmental remediation activities. Commerce indicates that grant funds are typically used for: (a) the environmental investigation, remediation, or groundwater monitoring of the site; (b) the removal of underground storage tanks or hazardous waste containers; (c) the acquisition cost of the brownfields site; (d) site clearance, building demolition, or building renovation; (e) asbestos and lead paint abatement; or (f) infrastructure improvements.

"Brownfields redevelopment" includes any work or undertaking to: (a) acquire a brownfields facility or site; and (b) 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:

a. Investigation, analysis, and monitoring of a brownfields facility or site to determine the existence and extent of actual or potential environmental pollution.

b. Abating, removing or containing environmental pollution at a brownfields facility or site.

c. Restoring soil or groundwater at a brownfields facility or site.

"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. 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.

Historically, a portion of brownfields grant funds have been designated for specific projects. The funding level has also been adjusted.

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 based on: (a) the degree of blight and underutilization in the area; (b) the potential for redevelopment; and (c) the project's compatibility with the Menomonee Valley land use plan. The grant proceeds could be used to fund the costs of acquisitions, demolition, environmental assessments, removal of underground storage tanks and abandoned containers, site investigations, cleanup, monitoring and other costs associated with such activities. A person that received a grant from MEDC or Menomonee Valley Partners, Inc., that was funded with the Commerce grants must have provided matching funds at least equal to the amount of the grant received.

In addition, 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: (a) the city must submit a plan to Commerce detailing the proposed use of the grant and the Secretary of Commerce must approve the plan; (b) the city was required to enter into a written agreement with Commerce that specifies the conditions for use of grant proceeds, including reporting and auditing requirements; and (c) the city agreed 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 also determined 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.

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 Menomonie 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.

2005 Wisconsin Act 25 required Commerce to make a brownfields grant of $500,000 in 2005-06 and 2006-07 to the City of Madison for the purpose of establishing a city brownfields revolving loan fund. The City was authorized to use the state grants for: (a) loans or grants to other entities for environmental site assessments, site investigations, remedial action plans and remedial actions; and (b) associated City costs related to administering and implementing the program, involving interested persons in the process, obtaining DNR approval of cleanup activities, and marketing brownfields properties to developers. To be awarded the grant the city was required to: (a) submit a plan to the Department detailing the use of the grant and the Secretary of Commerce approved the plan; (b) enter into a written agreement that specified the conditions for use of the grant proceeds, including reporting and auditing requirements, and (c) agree 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. A grant of $500,000 was awarded to the city in 2005-06.

2007 Wisconsin Act 20 reduced funding for brownfields grants by $1,000,000 in 2007-08. As a result, $6,000,000 was provided for grants in 2007-08. The reduction was made to reduce an expected June 30, 2009, shortfall in the available balance of the segregated environmental management account.

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 2007-08, 16 brownfields grants were awarded. Appendix III provides summary information about brownfields grants for 2007-08.

Gaming Economic Diversification Grant and Loan Program

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 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 economic development and diversification tribal gaming revenue appropriations into a single PR appropriation to fund gaming economic development and diversification grants and loans. 2007 Act 125 deleted statutory provisions related to gaming economic development grants and loans. Consequently, the program provides economic diversification grants and loans.

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. 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.

2005 Wisconsin Act 25 deleted $300,000 PR in annual funding, but also eliminated the requirement that an amount equal to the appropriation level for work-based learning grants to tribal colleges ($300,000 annually) be transferred to the tribal college grants appropriation. Instead, $600,000 in annual funding was provided directly to the WTCS for that purpose. As a result, base level funding available for Commerce gaming economic diversification grants and loans remains at $2,538,700 PR annually.

The economic diversification grant and loan appropriation is the primary source of funding. The appropriation is biennial and, as noted, is funded with tribal gaming revenues. Consequently, funds not encumbered at the end of the biennium have the effect of increasing the general fund lapse from tribal gaming revenues by the same amount.

Loan repayments are placed in the program revenue repayments appropriation, and are used to fund economic diversification grants and loans. In March, 2007, one-time expenditure authority of $880,000 in 2006-07 was approved by the Joint Committee on Finance acting under s. 16.515 of the statutes. Expenditure authority of $1,000,000 in 2007-08 and $350,000 in 2008-09 was provided in 2007 Act 20 and an equivalent amount of tribal gaming PR deleted. This maintained overall program funding at $2.5 million annually. Table 10 shows program revenue repayment revenues, expenditures, and appropriation authority for 2002-03 through 2007-08. Repayment revenues were first placed in the appropriation in 2002-03. The table shows that there was a substantial balance in the appropriation at the end of fiscal year 2007-08.

In determining whether to award grants or loans, Commerce must consider the following:

a. A project's potential to retain or increase the number of jobs.

b. A project's potential to provide for significant capital investment.

c. A project's contribution to the economy of the community.

d. Whether a project will take place in a rural community, as determined by the Department.

Table 10: Gaming Economic Diversification Loan Repayment Appropriation -- Annual Revenues, Expenditures, and Expenditure Authority

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Prior Year Unexpended Revenue	$0	$276,100	$515,600	$91,400	$1,472,800	$1,826,800
Current Year Revenue	276,100	239,500	395,800	561,400	354,000	343,600
Total Revenue	$276,100	$515,600	$911,400	$1,472,800	$1,826,800	$2,170,400
Expenditures	$0	$0	$0	$0	$0	$311,400
Year End Unexpended Revenue	$276,100	$515,600	$911,400	$1,472,800	$1,826,800	$1,859,000
Encumbrances	0	0	0	0	0	568,600
Year End Unencumbered Balance	$276,100	$515,600	$911,400	$1,472,800	$1,826,800	$1,290,400
Expenditure Authority	$0	$0	$0	$0	$880,000	$1,000,000

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

Early Planning Grant Program. The early planning grant program provides 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.

Early planning grants are administered by the Wisconsin Entrepreneur's Network (WEN), with funding provided by Commerce.

Economic Diversification Grants and Loans. Gaming economic diversification grants and loans provide financial assistance to qualified businesses to help diversify a community's economy so that it is less dependent upon revenue derived from gaming operations. Eligible applicants are existing or start-up businesses, including Native American businesses, that are located or expanding in the state. Businesses must have a comprehensive business plan that includes: (a) background information on the company; (b) a description of the project; (c) a detailed project budget; (d) existing and projected (three years) wage levels; (e) a project timeline; (f) balance sheet, profit and loss, and cash-flow statements for the past three years; and (g) three years of financial projections with notes covering all significant assumptions. Commerce must determine that the project will improve the profitability of the qualified business that has been negatively impacted by the existence of a casino.

Awards are often made as loans, and the maximum award is $100,000. Award recipients must provide matching funds equal to at least 25% of project cost, unless the business project is subject to extreme hardship. The Department may not award a grant or loan for any purpose that is related to tourism, unless the Department of Tourism concurs in the award.

Grants or loans may be awarded to qualified businesses for: (a) diversifying the economy of a community; or (b) remediating brownfields. Eligible brownfield remediation activities include abating, removing, or containing environmental pollution at a brownfields facility or site, or restoring soil or groundwater at a brownfields facility or site. Diversification awards can be used to provide fixed asset financing for businesses to establish or expand operations. Funds can be used to finance the cost of land, new construction, remodeling, furniture, fixtures, and equipment. Refinancing is not an eligible project cost.

"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, 1999 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:

a. 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.

b. 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 received in the year from private or federal sources.

c. Grants to Brown County of $500,000 in 1999-00 and $1,000,000 in 2000-01.

d. A grant of $299,800 in 1999-00 to the City of Richland Center to replace the city well because of highway construction.

e. 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 included provisions which required Commerce to make the specific awards. These were made and are as follows:

a. 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.

b. 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: (1) the business was a start-up business; (2) the business together with any affiliate, subsidiary, or parent entity had fewer than 50 employees; or (3) the business was at least 51% owned, controlled, and actively managed by a member or members of the Oneida tribe.

c. 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.

d. 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: (1) Potosi Brewery Foundation submit 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; (2) Potosi Brewery Foundation provided matching funds of $120,000 for the project; (3) Potosi Brewery Foundation entered into written agreement with Commerce that specified the conditions for use of the grant proceeds including reporting and audit-

Table 11: Gaming Economic Development and Diversification Grants and Loans -- Appropriations and Amounts Awarded

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Appropriations									
Economic Development	$3,894,300	$2,514,600	$0	$0	$0	$0	$0	$0	$0
Economic Diversification	0	2,500,000	2,238,700	3,238,700	2,838,700	2,538,700	2,538,700	2,538,700	1,538,700
PR Repayments	0	0	0	0	0	0	0	880,000	1,000,000
Total Funding	$3,894,300	$5,014,600	$2,238,700	$3,238,700	$2,838,700	$2,538,700	$2,538,700	$3,418,700	$2,538,700
Awards*									
Early Planning Grants	$9,000	$35,400	$19,000	$31,400	$46,300	$16,000	$0	$0	$0
Economic Impact Loans	0	453,400	32,000	31,000	0	0	0	0	0
Economic Diversification Grants & Loans	0	1,524,000	409,200	772,500	330,000	3,452,700	2,930,000	2,377,400	915,000
Legislature / Other	2,849,800	1,000,000	1,330,000	2,408,600	28,000	1,200,000	150,000	1,000,000	0
Total Awards	$2,858,800	$3,012,800	$1,790,200	$3,243,500	$404,300	$4,608,700	$3,080,000	$3,377,400	$915,000

*Funding for early planning grants is provided through block grants from Commerce to WEN.

ing requirements; and (4) 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.

Table 11 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.

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:

a. The business must have paid state sales taxes for at least six months prior to applying for the grant.

b. 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.

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

d. 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.

e. 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.

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

a. Whether the business is in an industrial cluster.

b. The wage level and benefit package

provided to the employee being trained in relation to the cost of the training.

c. The impact the training will have on the applicant's business operations.

d. Viability of the applicant.

e. Qualifications of the trainer.

f. Whether the business is located in a development zone.

g. Availability of funds.

Business Employees' Skills Training Grants. BEST grants provide funds to small businesses to assist them in upgrading the skills of their workforce.

Eligible applicants are businesses located in Wisconsin with: (a) no more than 25 full-time employees; or (b) 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).

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. Commerce is required to give preference to: (a) businesses in industries with especially severe labor shortages; and (b) businesses in industries that the Department determines are especially adversely affected by federal requirements or policies. 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. Also, grants cannot be used to pay wages or compensate for lost revenue in connection with providing the training or education. 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.

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.

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, $129,600 in 2003-04, $114,800 in 2004-05, $63,900 in 2005-06, $31,172 in 2006-07 and $69,875 In 2007-08.

Diesel Truck Idling Reduction Grant Program

The diesel truck idling reduction grant program was created by 2005 Wisconsin Act 25 to provide financial assistance to eligible motor carriers to purchase and install idling reduction technology. The program was modified by provisions in 2007 Wisconsin Act 20, including increasing total funding. The program is intended to help Wisconsin motor carriers reduce air pollution emissions and fuel consumption. Grants may be awarded between July 1, 2006, through June, 2011. A one-time increase to $2,000,000 was provided for grants in 2007-08 and 2008-09, with annual funding provided for grants scheduled to revert to $1,000,000 in 2009-10 and 2010-11.

Commerce may make awards to eligible common, contract, or private motor carriers that transport freight to help fund the costs incurred to purchase and install idling reduction units on truck tractors. Only truck tractors with post-1998 diesel truck engines are eligible. The Department is authorized to set deadlines for submitting applications and then prorate the awards to applicants, if the total funding requested in the applications exceeds the available revenue. Subject to availability of funds, the grant may be paid over more than one fiscal year. Commerce is required to withhold payment of at least 20% of a grant until the recipient has complied with the conditions of the grant established by the Department, including providing information relating to the operation and performance of each idling reduction unit covered by the grant.

Commerce must require that applicants receiving grants that will cover more than one idling reduction unit, purchase more than one type of unit from more than one manufacturer. The Department may preferentially direct funding to an applicant who owns a fleet for which no previous grant has been awarded and up to 25% of grant funding may be allocated to applicants who own and operate 50 or fewer truck tractors. The Department is authorized to impose other conditions on the receipt of grants. Commerce is also required to collect information compiled by grant recipients relating to the operation and performance of idling reduction units, to summarize the information and to make it available to common motor carriers, contract motor carriers, and private motor carriers in an accessible and cost effective manner, such as using the Department's Internet site.

The application process involves the following steps:

a. Determine eligibility and number of units that can be funded by grant.

b. Research idling reduction technology.

c. Get an itemized (base cost) price quote from vendor.

d. Submit application and itemized price quote to Commerce for review.

e. If application is determined to be fundable, Department sends contract to applicant.

f. Review, complete and return signed contract to Commerce.

g. Purchase and install unit or units.

h. Submit a request for disbursement form, a copy of paid invoice, and a pre-installation report (including a copy of the engine download printout) to Commerce within 120 days from the award date.

i. Department provides 80% of the amount of eligible reimbursement.

j. After required pre-installation and semiannual reports (including engine download print-out for 12-month report) have been submitted, the remaining 20% of the grant amount is sent to the applicant.

If an applicant fails to comply with any conditions imposed by the Department on any previous diesel truck idling reduction grant, the applicant cannot receive another grant. Applicants must agree to collect information related to the operation and performance of each idling reduction unit covered by a grant and to provide pre-installation (baseline), six and twelve month reports to Commerce. The reports must be taken from an on-board electronic record.

The 2008 application period extended from July, 2008, until December 1, 2008.

Diesel Truck Idling Reduction Grants. The program provides financial assistance to common, contract, and private carriers to purchase and install idling reduction equipment. The primary goals are to help Wisconsin motor carriers reduce air pollution emissions and fuel consumption.

Eligible applicants are common motor carriers, contract motor carriers, and private motor carriers headquartered in Wisconsin.

Grants are provided for up to 50% of eligible costs. The Department may not award to any one applicant more than 20% of the total amount appropriated for grants in a fiscal year. Grant recipients must pay 50% of eligible costs for each idling reduction unit covered by the grant. The matching funds must not be from grants, loans, or other financial assistance from the state or local governments.

Grants must be used to pay the costs that the applicant has incurred, or will incur, for purchase (base price) or standard installation of an idling reduction unit on a truck tractor that is owned and operated by the applicant and that has a post-1998 diesel truck engine. Use of the idling reduction unit must result, in the aggregate, in a decrease in the emissions of one or more air contaminants (as defined under state law) from the truck tractor on which the idling unit is installed, or in a decrease in the use of energy by that truck tractor.

The number of idling reduction units that a grant can be used to purchase are limited based on the number of truck tractors with post-1998 diesel truck engines owned and operated by the applicant. Specifically, the number of idling reduction units that can be obtained with a grant are as follows:

Number of Eligible (Post-1998 engine) Truck Tractors	Total Number of Eligible Units Funded 2007-11 (Excluding) Units Funded in 2006)
1	1
2 to 10	2
11 to 50	Greater of: 2 or 10% of eligible truck tractors
51 to 250	Greater of: 6 or 7% of eligible truck tractors
251 to 500	Greater of: 18 or 6% of eligible truck tractors
501 to 2500	Greater of: 30 or 5% of eligible truck tractors
2,500 +	Greater of: 125 or 3% of eligible truck tractors

The number of units that can be purchased is a cumulative, not an annual limit. These are the total number of idling reduction units that can be purchased under the program excluding units purchased in 2006. For example, an applicant with between 51 and 249 eligible truck tractors can receive grants to purchase a maximum of six idling reduction units or 7% of the number of eligible truck tractors between 2007 and 2011.

Eligible costs do not include:

a. The cost of shipping an idling reduction unit from the manufacturer to the facility where the idling reduction unit will be installed on the truck tractor.

b. The cost of operating an idling reduction unit.

c. The cost of maintaining an idling reduction unit.

d. Self installation of the idling reduction equipment unless approved by Commerce.

e. Accessories that are in addition to the basic idling reduction unit, such as a chrome exhaust.

"Post-1998 diesel truck engine" is defined as a heavy duty highway diesel engine that complies with the air pollutant emission standards promulgated by the federal Environmental Protection Agency under federal law for engine model year 1998 or later. "Idling reduction unit" means a device that is installed on a diesel truck to reduce the long-duration idling of the truck by providing heat, air conditioning, or electricity to the truck while the truck is stationary and the main drive engine of the truck is not operating. The definition of "truck tractor" is referenced to current state law and means a motor vehicle designed and used primarily for drawing other vehicles, and not so constructed as to carry a load other than a part of the weight of the vehicle and load so drawn. "Headquartered in this state" means the applicant's principal central administrative office is located in Wisconsin, or the applicant's business pays at least 80% of its payroll to employees located in

Wisconsin.

The definitions of contract, common, and private motor carriers are also referenced to current state law provisions. "Common motor carrier" means any person who holds himself or herself out to the public as willing to undertake for hire to transport passengers by motor vehicle between fixed end points, or over a regular route upon the public highways, or property over regular or irregular routes upon the public highways. The transportation of passengers in taxi cab service, or in commuter carpool or vanpool vehicles with a passenger-carrying capacity of less than 16 persons, or in a school bus is not construed as being that of a common motor carrier. "Contract motor carrier" means any person engaged in the transportation by motor vehicle over a regular or irregular route upon the public highways of property for hire. "Private motor carrier" means any person except a common or contract motor carrier engaged in the transportation of property by motor vehicle other than an automobile or trailer used therewith, upon public highways.

In 2007-08, Commerce awarded 26 grants totaling $1,484,000 to trucking companies with truck fleets of over 50 trucks. In addition, 109 grants totaling $475,000 were awarded to companies with truck fleets with 50 or fewer trucks.

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: (a) entrepreneurs in the state; (b) high-technology businesses in the state; (c) the state's venture capital industry; (d) the state's investment banking industry; (e) local governments in the state; (f) the state's business development community; and (g) 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 Commerce 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 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.

The Wisconsin Technology Council has three main functions:

a. *Policy Guidance.* The Council is a science and technology advisor to the Governor and Legislature and provides policy guidance to them and state agencies and other related institutions through Council activities, reports, and white papers.

b. *Networking.* The Council serves an in-state networking role through the Wisconsin Innovation Network (WIN), a community-based economic development corporation that fosters innovation and entrepreneurship. Local chapters offer connections with entrepreneurs and a variety of industries and professionals in high-technology, law, banking, government, public relations, and manufacturing. The Council works with other statewide and local affiliates, such as the Wisconsin Biotechnology association, Accelerate Madison, and eInnovate. Out-of-state networking is also provided through the I-Q corridor linking organizations and individuals in Wisconsin, Minnesota, and Illinois, and through national events, such as the international BIO conference.

c. *Economic Development Catalyst.* The Technology Council serves as an economic development catalyst through a number of programs including: (1) WIN; (2) the Wisconsin Entrepreneur's Conference, which provides assistance to entrepreneurs at all stages of business development; (3) the Wisconsin Early Stage Symposium (formerly Life Sciences and Venture Conference) for technology companies seeking capital; (4) the Governor's Business Plan Contest competition that provides business plan advice and cash and in-kind prizes; and (5) the Wisconsin Security Research Consortium comprised of public and private research organizations acting to develop expertise and link state organizations with federal homeland security projects. The Council also operates the Wisconsin Angel Network (WAN) which was created with funding from Commerce, the Department of Financial Institutions (DFI), and the SBC Foundation, to build angel investor network capacity in Wisconsin in order to increase the number and amount of early stage investments in Wisconsin businesses. WAN membership is generally limited to investment funds and angel investors, and the network operates a deal flow pipeline Internet site with projects submitted by entrepreneurs for investment consideration. The network organizes educational programs and provides investment information for members.

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. This program provides financial and technical assistance to high-technology business through the Wisconsin Technology Council.

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

a. 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.

b. 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.

c. The corporation provides matching funds equal to 50% of the grant proceeds.

d. 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.

e. 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.

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.

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, direct funding was also provided to the Northwest Wisconsin Manufacturing Outreach Center (NWMOC). Annual funding of $1,200,000 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. The organization (along with NWMOC) is also participating in an initiative to improve the operations of small and medium-sized manufacturing firms that are suppliers to larger manufacturers known as original equipment manufacturers (OEMs). 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; business growth and planning and lean manufacturing.

Commerce has provided financial assistance to WMEP in a number of ways, historically 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 subprograms 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 center grant program and, instead, provided $100,000 GPR annually in a separate appropriation for the program. 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. Under the provisions of 2005 Wisconsin Act 180, Commerce was required to make annual grants of up to $350,000 during the 2005-07 biennium from the WDF to technology-based nonprofit organizations to provide support for a manufacturing extension center. Most recently, 2007 Act 20 increased annual funding for manufacturing extension center grants by $350,000 to a total of $1,200,000.

Manufacturing Extension Center Grants. The program provides financial assistance to the Wisconsin Manufacturing Extension Partnership (WMEP) and the Northwest Wisconsin Manufacturing Outreach Center (NWMOC) to support their business services.

Eligible applicants are 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 are made to provide financial assistance to WMEP and NWMOC. 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.

Annual funding of $1,200,000 is provided, although the Department is authorized to award $1,500,000 in grants. Grants can be used to provide financial support to the programs and operations of technology-based nonprofit organizations (WMEP, NWMOC).

Economic Activity Zone Programs

Wisconsin has numerous programs that provide tax credits to businesses for various types of economic activity in designated areas of the state. These programs include: (1) development zones;

(2) enterprise development zones; (3) development opportunity zones; (4) technology zones; (5) agricultural development zone; (6) airport development zones; and (7) enterprise zones. Commerce is generally responsible for administering these programs. The Department reviews and approves applications (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 the tax credits.

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 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.

Commerce has 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 $34.3 million in tax credits has been allocated to these zones.

Since the total number of authorized development zones 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 and apply for designation as a development zone. Two or more local bodies may submit a joint application nominating an area as a developments zone, if each compiles with application requirements. The application must include:

a. A copy of the ordinance or resolution that authorizes the local governing body to nominate the area.

b. Transcripts of the public hearing.

c. Evidence that the area meets the required economic distress criteria (described in the following paragraphs).

d. Evidence that the area meets the required geographic criteria (described in the following paragraphs).

e. A description of land use patterns in the area including a detailed map and information about vacant land and buildings available for development.

f. A description of past and present economic development activities in the area under local, state or federal programs.

g. A description of the local governing body's goals for economic development in the area.

h. An assessment of the effect of making the area a development zone on full-time jobs available to the targeted population.

i. Other relevant information.

Commerce is required to evaluate the local governing body's application and determine that the development zone meets applicable boundary and size requirements. The Department must also determine that:

a. Designation of the area as a development zone will serve a public purpose.

b. Designation of the area as a development zone will likely retain or increase employment in the area.

c. Economic development in the area is not likely to occur or continue without being designated as a development zone.

d. The area meets at least three of the following criteria: (1) the unemployment rate in the area is higher than the state average for 18 months immediately preceding the date on which the application for designation was submitted to the Department; (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 benefits or participating in Wisconsin Works (W-2) is higher than the state average; (4) in the 36 months immediately preceding the date on which the application for designation was submitted, 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 plant closing notification law; (5) an employer in the vicinity of the area has given notice, under the state plant closing notification law, of a mass layoff of the greater of at least 25 employees or 25% of the employees of a business that will result in a number of workers in the area being permanently laid off; (6) property values in the area have been declining; and (7) population in the area has declined.

In making a determination using the criteria described in the preceding paragraph, Commerce is required to consider all of the following:

a. The extent of poverty, unemployment, or other factors contributing to general economic hardship in the area.

b. The prospects for new investment and economic development in the area.

c. The amount of investment that is likely to result from designation of the area as a development zone.

d. 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 development zone.

e. The number of full-time jobs that are likely to be available to the target population as a result of the designation of the area as a development zone.

f. The competitive effect on other businesses in the vicinity of designating the area as a development zone.

g. The needs of other areas of the state.

h. Other factors the Department considers relevant.

To be designated as a development zone, an area must conform to specified boundary and demographic requirements. An area that is located within a metropolitan statistical area cannot be nominated or designated as a development zone unless the area contains less than 10% of the property value of the city, village, or town in which it was located. If the area is located within a first class city (Milwaukee), the area population must be between 4,000 and 10% of the city's population. If the area is located within a village, town, or city, other than first class, the population of the area must be between 1,000 and 10,000. An area located within the boundaries of an Indian reservation cannot be nominated or designated as a development zone unless the population of the area is less than or equal to 5,000. An area that is comprised of entire counties must have a population that does not exceed 75,000 to be nominated or designated as a development zone.

In order to be nominated or designated as a development zone, an area must generally: (a) have a continuous border following natural or man-made boundaries, such as streets, highways, rivers, municipal limits, or limits of a reservation; and (b) must consist of contiguous blocks, census blocks, or similar units. However, two separate areas may be nominated or designated as one development zone if: (a) each of the areas has a continuous border following natural or man-made boundaries consisting of contiguous blocks, census blocks, or similar units; (b) each area meets at least three of the criteria used by Commerce in determining whether to designate an area as a development zone (described in a previous paragraph); and (c) considered together, the areas meet the specified population requirements (described in a previous paragraph). In a first class city, up to eight separate qualified areas may be designated as one development zone. The governing body of a county may submit an application in which up to four separate qualified areas may be nominated or designated as a development zone. Commerce may reduce the size of an area nominated as a development zone if the Department determines that the boundaries proposed by the local governing body, are inconsistent with the purpose of the development zone program.

Commerce is authorized to designate the premises of a business incubator located near a development zone as part of the zone if all of the following apply:

a. At least 50% of small businesses housed in the small business incubator have received or participated in: (1) federal targeted jobs credits; (2) a workforce investment activity under federal law; or (3) any other program, similar to a workforce investment activity, established to increase the employment opportunities of disadvantaged individuals.

b. The business incubator has housed the small businesses for at least six months before the development zone was designated.

c. The business incubator's facility is located within five miles of the boundary of the development zone.

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 the Department for one five-year extension of the zone designation.

A local governing body can submit to the Department an application to change the boundary of a development zone, any time after a development zone is designated. If the boundary change reduces the size of the development zone, the local governing body must explain why the area that is excluded should no longer be in the zone. The Department may require the local governing body to submit additional information. Commerce may approve an application for a boundary change, if the reconstituted development zone continues to meet the requirements for designation. If the Department approves the boundary change, it must re-determine the zone's limit on tax benefits, and notify the local governing body that submitted the application of the change in the boundary and the redetermination.

Commerce establishes a limit on the total amount of tax credits that can be claimed in each development zone, by allocating a portion of $38.155 million in tax benefits to each development zone. The Department is authorized to increase the established limit for tax benefits for a development zone. In determining whether a development zone should be allocated additional tax benefits, Commerce is required to consider whether: (a) the local governing body complied with the terms and conditions of its development zone plan; (b) the tax benefits allocated to the development zone have been exhausted; and (c) the additional tax benefits will be utilized prior to the expiration date of the development zone.

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

a. No persons are certified as eligible for tax benefits within 12 months after the date on which the development zone was designated.

b. The rate of economic activity in the zone is below projections, and the community cannot demonstrate that the economic activity will increase.

c. The applicant fails to carry out the activities specified in the development zone plan.

d. The Department determines that inaccurate information was provided in the development zone application, or under the development zone plan, that would have affected the decision to designate the area as a development zone.

Commerce is required to annually estimate the amount of forgone revenue because of tax benefits claimed by persons in each of the development zones. Designation of a zone expires ninety days after the Department determines that the forgone revenues will equal or exceed the limit total on tax benefits established for that zone.

Commerce also certifies businesses as eligible for tax benefits and allocates the tax benefits to eligible businesses within each zone. Under current law provisions, the Department is required to evaluate the likelihood that a person applying for tax benefits engages in or will engage in economic activity consistent with the development zone application, and not in prohibited activities. The Department is required to certify persons who are eligible for tax benefits according to the following criteria:

a. The likelihood that the person will continue to conduct economic activity in the area following expiration of designation of the area as a development zone.

b. The person's commitment not to engage in prohibited economic activities.

c. The person's commitment to use techniques or processes that reduce or eliminate the use of ozone-depleting substances listed as class I substances under federal law.

d. 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 estimated for the person.

e. The person's plans to make reasonable attempts to hire employees from the targeted population.

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

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

h. Whether the person's proposed economic activity is consistent with the development zone application.

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

j. Any other criteria established under rules promulgated by the Department.

No person may be certified, or a certification may be revoked if the proposed new business, expansion of an existing business, or other proposed economic activity in a development zone would: (a) result in the direct loss of full-time jobs at another of the person's business locations in Wisconsin, but outside of the development zone; or (b) likely result in the direct transfer of employees from a business location in Wisconsin to a business location in the development zone. However, these provisions would not apply in cases where the Department determined, after a hearing, that: (a) the total number of full-time jobs provided by the person would be reduced if the person was not certified, or the certification was revoked; or (b) there was an extraordinary situation.

Commerce must provide the person that is certified and the Department of Revenue (DOR) with a copy of the certification. The certification must include:

a. The name and address of the person's business.

b. The appropriate Wisconsin tax identification number of the person.

c. The names and addresses of other locations outside of the development zone where the person conducts business and a description of the business activities conducted at those locations.

d. The estimated total investment in the development zone.

e. The estimated number of full-time jobs that will be created, retained, or significantly upgraded in the development zone because of the person's business.

f. An estimate of the number or percentage of full-time jobs that are or will likely be held by members of the targeted population.

g. The limit on tax benefits the person may claim while the area is designated as a development zone.

h. Other information required by Commerce or DOR.

The Department is required to revoke the certification of a person, if that person does any of the following: (a) supplies false or misleading information to obtain certification; (b) becomes subject to revocation for engaging in prohibited economic activities; (c) leaves the development zone to conduct substantially the same business outside of the zone; (d) ceases operations in the development zone and does not renew operation of the trade or business, or a similar trade or business in a development zone within 12 months.

Commerce is authorized to remove a zone designation if: (a) no persons are certified for tax benefits, within 12 months after the date the development zone was designated and, and the local governing body is not carrying out activities specified in the development zone plan, or (b) no persons are certified for tax benefits within 24 months after the date the development zone was designated.

Development Zones Tax Credit. Any individual, estate, trust, partnership, limited liability company

(LLC), corporation that is conducting business in a development zone that has been certified may claim the development zones tax credit under the state individual income tax, corporate income and franchise tax, and insurance premiums tax. The credit is based amounts spent on environmental remediation, and the number of full-time jobs created or retained, in a development zone.

Environmental Remediation Component. A credit against income, franchise, and premiums taxes can be claimed for 50% of the amount spent for environmental remediation in a zone.

"Environmental remediation" is defined as: (a) removal or containment of environmental pollution; (b) restoration of soil or groundwater that is affected by environmental pollution in a brownfield; (c) investigation, unless the investigation determines that remediation is required and remediation is not undertaken. The removal, containment, or restoration work, other than planning and investigating, must begin after the site where the work is being done is designated a zone, and after the claimant is certified for tax benefits. "Environmental pollution" means the contaminating or rendering unclean or impure the air, land, or waters of the zone, or making it 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.

Full-Time Jobs Component A credit against income, franchise, and premiums taxes can be claimed for up to the following amounts for job creation or retention: (a) up to $8,000 for each full-time job created in a zone and filled by a member of a targeted group; (b) up to $8,000 for each full-time job retained in an enterprise development zone (excluding jobs for which the former jobs tax credit was claimed) if Commerce determines that the person made a significant capital investment to retain the full-time job; (c) up to $6,000 for each full-time job created or retained (excluding jobs for which the former jobs tax credit was claimed) filled by a Wisconsin resident who is not a member of a targeted group. Amounts claimed for Wisconsin Works (W-2) trial job program recipients must be reduced by W-2 wage subsidies that the employer receives for those jobs. At least one-third of jobs tax credits claimed must be based on jobs created and filled by targeted group members. In addition, except for businesses that only claim tax credits for environmental remediation, 25% of all tax credits must be based on creating or retaining full-time jobs.

Partnerships, LLCs, and tax option corporations may not claim the tax credit, but eligibility for, and the amount of credit is determined based on the economic activity of the entity. The partnership, LLC, tax-option corporation must compute the amount of credit that may be clamed by each partnership, member or shareholder and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations may claim the tax credit in proportion to their ownership interest.

"Full-time job" means a regular, non-seasonal 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 law. Commerce requires that the starting pay for new positions must be at least $9.75 per hour. A full-time job does not include initial training before an employment position begins.

"Member of a targeted group" is defined as a Wisconsin resident who is a member of one of the following groups:

a. *Dislocated Workers.* A dislocated worker includes an individual who: (1) has been terminated or laid-off, or has received a termination or layoff notice, or is eligible for or has exhausted his or her entitlement to unemployment compensation, or has been employed long enough to show attachment to the workforce, but is not eligible for unemployment compensation due to insufficient earnings or having performed services for an employer that were not covered under state unemployment compensation law, and is unlikely to return to his or her previous industry occupation; (2) is employed at a facility where the employer has made a general announcement that the facility will close within 180 days; (3) was self-employed (including farmers) and is unemployed as a result of general economic conditions in the community in which he or she resides, or because of natural disasters; or (4) is a displaced homemaker who has been dependent on the income of another family member and is no longer supported by the income, or is unemployed or underemployed and experiencing difficulty in updating or obtaining employment.

b. *Economically Disadvantaged Youths.* An individual who is between 18 and less than 23 years of age on the hiring date, and is a member of an economically disadvantaged family (family income level no greater than 70% of the U.S. Bureau of Labor Statistics lower living standard).

c. *Economically Disadvantaged Ex-Convicts.* An individual who: (1) was convicted of a felony under any federal or state law; (2) is a member of an economically disadvantaged family; and (3) is hired within five years of being convicted or released from prison.

d. *Vocational Rehabilitation Referrals.* An individual who: (1) has a physical or mental disability that results in a substantial barrier to employment; and (2) is referred to the employer upon completing or while receiving rehabilitative services under an individualized written rehabilitation plan under a state plan for vocational rehabilitation, or a program of vocational rehabilitation for veterans.

e. *Economically Disadvantaged Veterans.* An individual who: (1) served on active duty in the U.S. Armed Forces for more than 180 days or who was discharged or released from active duty because of a service-connected disability; (2) was not on active duty for more than a 90-day period, or any day in the 60-day period that ends on the date the employee is hired; and (3) is a member of an economically disadvantaged family.

f. *General Assistance Recipients.* An individual who received assistance under a general assistance program for any month ending within the 60-day period that ends on the date the individual is hired.

g. *Supplemental Security Income (SSI) Recipients.* An individual who received SSI benefits for any month ending within the 60-day period that ends on the date the individual is hired.

h. *Qualified Summer Youth Employees.* An individual who: (1) works for the employer between May 1 and September 15; (2) is at least 16 or 17 years of age when hired, or on May 1 if the individual is hired before that date; (3) has not previously worked for the employer; and (4) is a member of an economically disadvantaged family. An employer can claim the credit for a summer youth employee only once. If the employee continues working during the school year on a permanent basis, the employee may be recertified as a member of another target group.

i. *Wisconsin Works (W-2) Participants.* An individual who: (1) is employed in an unsubsidized job but meets eligibility requirements; (2) is employed in a state-subsidized trial job; or (3) is eligible for W-2 child care assistance. Included in this group are participants in the Real Work, Real Pay (RWPB) pilot project.

j. *Food Stamp Recipients.* An individual who: (1) is a member of a family receiving food stamps for six months immediately prior to the hiring date; or (2) is a member of a family receiving food stamps for at least three months during the five months before the hiring date, and whose benefits were cancelled under federal law.

k. *Residents of a Federally Designated Economic*

Revitalization Area. An individual who is a resident of a federally designated revitalization area. In Wisconsin, the designated areas are the Northwoods Niijii Enterprise Community in Northern Wisconsin, and the Milwaukee federal renewal community.

Commerce is required to establish a limit on the maximum amount of tax benefits a person that is certified may claim. The actual amount of tax benefits allocated to the person are based upon the wages and benefits paid by the new or retained jobs. Commerce is authorized to distribute the tax benefits a person may claim over multiple tax years. Current administrative rules require that full-time jobs that are created or retained must be maintained for a minimum of six months before a person can claim any tax benefits.

In practice, tax credits are allocated on a case-by-case basis. Initially, jobs credits are based on the anticipated rate of pay for the planned positions. The actual credits that can be claimed depend on several factors, including the number of full-time positions created or retained, and their corresponding wages and benefits. Generally, Commerce allocates businesses $3,000 or $5,000 per job, depending upon the pay level.

The Department normally distributes allocated tax benefits over multiple tax years. If job creation or retention occurs on about the same schedule as originally projected, 25% of tax benefits are allocated in the first year, and another 25% of tax benefits are allocated in the second year. The final 50% is usually retained until the third year to ensure the business reaches its employment projections. In cases where the actual number of jobs does not meet original projections, adjustments to the total amount of tax benefits allocated to the business are made in the third year.

As noted, 25% of new positions and one-third of jobs tax credit amounts must be for members of target group. Commerce may grant a waiver in cases where the business can show that it made a good-faith effort to identify, recruit, and hire members of target groups.

Businesses that are allocated tax credits must complete and submit annual project reports. The reports include a summary of: (a) annual business activities; (b) information about new investments, jobs created, and anticipated hiring or acquisition plans; (c) an estimate of the company's tax liability; and (d) payroll information.

Prior to filing a tax credit claim, Commerce is required to verify that the expenses that are the basis of the credit are eligible for tax credit claims . To claim a development zone tax credit, a person must file schedule DC with the tax return that is submitted to DOR. In addition, development zone tax credit claims must include: (a) a copy of the certification to claim tax benefits; (b) a copy of a statement from Commerce verifying eligible expenses; (d) the state employer tax identification number; and (d) the employer's North American Industry Classification System (NAICS) code.

The development zone tax credit, including carry-forwards, can be used to offset the person's state income, franchise, or premiums tax liability. 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. Internal Revenue Code provisions govern the carry-forward of unused credits in cases where there is a change of ownership. 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 zone, and unused credit amounts cannot be carried forward from that year or from previous years.

Information about development zones is shown in Appendix IV.

Enterprise Development Zones

The 1995-97 budget created the Enterprise Development Zones program. A business that conducts or that intends to conduct a business project 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 project affects that area and 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. 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. The 2005-07 biennial budget (2005 Wisconsin Act 25) increased the authorized number of enterprise development zones to 98 (through an item-veto). 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. Act 25 also included a provision that allows more than one business in an enterprise development zone to be eligible for tax credits. As a result, additional businesses could be certified for tax credits in existing zones where the maximum amount of tax credits ($3.0 million) have not been allocated to the zone businesses.

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:

a. The name and address of the person's business for which tax benefits will be claimed.

b. The Wisconsin tax identification number of the business.

c. The names and addresses of other locations outside of the proposed zone where the person conducts business, and a description of the business activities at those locations.

d. In the proposed zone, the amount that the applicant proposes: (1) to invest in a business; (2) to spend on the construction, rehabilitation, repair or remodeling of a building; or (3) to spend on the removal or containment of, or the restoration of soil or groundwater affected by environmental pollution.

e. The estimated total investment of the business in the proposed enterprise development zone.

f. 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.

g. The person's plans to make reasonable attempts to hire employees from the target population.

h. The estimated number of full-time jobs that will be filled by members of the target population.

i. The boundaries or legal description of the area proposed to be designated as an enterprise development zone.

j. 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.

In creating zones for environmental remediation, Commerce may designate the area as an enterprise development zone if it determines: (a) the project that affects the area serves a public purpose; (b) the project will not occur or continue without designation of the area as an enterprise development zone; and (c) 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.

A business which conducts economic activity in an enterprise development zone must be certified by Commerce as eligible for tax benefits. Certified businesses can claim the development zones tax credit (described in the previous section), under the state individual income tax, corporate income, and franchise tax, or insurance premiums tax. 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. 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.

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

As noted, current law authorizes Commerce to designate 98 enterprise development zones, and the maximum total amount of tax credits that can be allocated to businesses in the zones is $294.0 million ($3.0 million x 98). Before the enterprise development zone program was changed to allow more than one business to claim tax credits in a zone, the Department was required to designate a zone and allocate all, or a portion of, the $3.0 million in tax benefits to a single business in the zone. If less than the $3.0 million was required for the project, the remaining unallocated tax credit amount could not be used or transferred to other businesses.

Since the change authorizing multiple-business enterprise development zones was enacted, Commerce has also changed the manner in which the program is administered. Since the change took effect in July, 2005, the Department has pooled the total amount of authorized enterprise development zone tax credits that remain, and allocated a portion of the total to each zone project that is designated. The total amount of available tax credits was determined by subtracting the amount of credits authorized for enterprise development zones that had expired before the multi-business change became effective from the total of $294 million ($3.0 million x 98 authorized zones) in authorized enterprise development zone tax credits. As of July, 2005, 29 enterprise development zones with a total credit allocation of $87 million ($3.0 million x 29 zones) had expired. The Department pooled the remaining $207 million ($298 million - $87 million) and has allocated this remaining credit authority to designated enterprise development zone projects using the required designation criteria. As of January, 2009 a total $205.8 million in tax credits had be allocated to enterprise development zone projects throughout the state.

Designation criteria target economically distressed areas, in particular, areas with high unemployment, low incomes, high proportions of W-2 participants or unemployment insurance recipients, recent layoffs, declining population, or declining property values. However, "area" is not defined. In designating enterprise development zones, Commerce generally bases the designation on countywide or, sometimes, metropolitan statistical data, compiled from the Department of Workforce Development (DWD), the Department of Revenue (DOR), and the federal government. Consequently, some zones are located in municipalities that might not be considered economically distressed, but provide benefits to such areas. In these cases, businesses are retained or expanded, and/or jobs are created or retained for residents of economically declining areas. Most counties in Wisconsin include enough areas that meet the required economic stress criteria so that the county, on average, meets those criteria. Commerce has designated regions in the state that, on average, also meet designation criteria. In some cases, the Department may designate an enterprise development zone in a county that does not meet economic distress criteria, because the project provides regional benefits.

Currently, the state is divided into five enterprise development zone regions that include certain counties. The regions and component counties are:

a. *Northwest* -- Douglas, Bayfield, Ashland, Iron, Burnett, Washburn, Sawyer, Price, Polk, Barron, Rusk, Taylor, St. Croix, Dunn, Chippewa, Clark, Pepin, Eau Claire, Buffalo, Trempealeau, and Jackson.

b. *Northeast* -- Vilas, Forest, Florence, Oneida, Marinette, Lincoln, Langlade, Oconto, Menomonee, Marathon, Shawano, Wood, Portage, and Waupaca.

c. *East Central* -- Door, Outagamie, Brown, Kewaunee, Juneau, Adams, Waushara, Winnebago, Calumet, Manitowoc, Marquette, Green Lake, Fond du Lac, and Sheboygan.

d. *Southwest* -- La Crosse, Monroe, Vernon, Crawford, Richland, Sauk, Columbia, Grant, Iowa, Dane, and Lafayette.

e. *Southeast* -- Dodge, Washington, Ozaukee, Jefferson, Waukesha, Milwaukee, Green, Rock, Walworth, Racine, and Kenosha.

Information about enterprise development zones is shown in Appendix V.

Development Opportunity Zones

Since 1994, six development opportunity zones have been created in the state. Under the provisions of 1993 Wisconsin Act 232, an area in the City of Beloit and an area in the City of West Allis were designated as development opportunity zones. The West Allis zone was created to make Quad/Graphics eligible for tax credits for a business expansion in the zone and $3.0 million in tax credits was authorized for the zone. The Beloit zone was created as an incentive to attract Motorola to locate in Wisconsin, and $10.0 million in tax credits was allocated to the zone. However, Motorola expanded in Illinois, and Reynolds Wheels International located in the Beloit zone. As a result, a total of $2.8 million in tax credits was allocated for Reynolds Wheels. Under the provisions of 1995 Wisconsin Act 2, an area in the City of Eau Claire was designated a development opportunity zone for Hutchinson Technology, Inc. and $3.0 million in tax credits was reallocated from the Beloit zone. These three zones were created for three years, and businesses in the zones could claim development zones tax credits. Prior to 1997 Wisconsin Act 27, businesses could claim any of seven development zone tax credits including a jobs credit, investment credit, location credit, sales tax credit, research credit, day care credit and environmental remediation credit. The jobs and sales tax credits were refundable.

The 1999-01 biennial budget designated an area in the City of Kenosha as a development opportunity zone. The zone was established in January, 2000, to exist for seven years. The Kenosha development opportunity zone was intended to be part of a package of state and federal aid to finance expansion of the DaimlerChrysler plant to start a new engine line. However, after the zone was created, DaimlerChrysler made a production decision to expand operations elsewhere. As a result, there was no activity in the zone, which expired in January, 2007.

The 2001-03 biennial budget 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 development zones jobs and environmental remediation tax credit, and the development zones capital investment credit created under the 2001-03 biennial budget. Businesses in the Milwaukee development opportunity zone could 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, to exist for seven years.

The Milwaukee development opportunity zone provided financial assistance for a renovation of the Boston Store (BOSTCO, LLC) at the Grand Avenue Mall. The $4.7 million in authorized tax credits was allocated to the project. The zone expired in September, 2008.

The Beloit development opportunity zone provides financial assistance to the city's Gateway Project industrial park. Although the park was officially completed in July, 2003, no tax credits were allocated to businesses in the Beloit zone until February of 2006. The 2007-09 biennial budget (2007 Wisconsin Act 20), included a provision that extended the term of designation for the Beloit development opportunity zone from seven to nine years, so that the zone will expire on September 1, 2010, instead of September 1, 2008. In addition, the total amount of tax credits that can be claimed by businesses in the zone was increased by $2.0 million, from $4.7 million to $6.7 million. A total of $3.816 million has been allocated to three businesses in the zone as follows: (a) Staples Contract and Commercial, Inc.-- $2.0 million jobs tax credits, $1.2 million capital investment tax credits; (b) Kettle Foods, Inc. -- $510,000 capital investment tax credits; and (c) Specialty Tools, Inc. -- $78,370 jobs tax credit, $27,630 capital investment tax credits.

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:

a. The name and address of the business for which tax benefits will be claimed.

b. The federal identification number of the business.

c. 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.

d. 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.

e. The estimated total investment of the business in the development opportunity zone.

f. 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.

g. The business' plans to make reasonable attempts to hire employees from the targeted population.

h. A description of the commitment of the local governing body of the city in which the development zone is located to the business' project.

i. Other information required by Commerce or DOR.

Commerce is required to notify DOR of all businesses entitled to claim tax credits, and to verify information submitted for tax credit claims. The Department is also required to revoke the entitlement of a business to claim tax benefits if the business does any of the following:

a Supplies false or misleading information to obtain the tax benefits.

b. Leaves the development opportunity zone to conduct substantially the same business outside of the development opportunity zone.

c. 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 ($6.7 million for Beloit), 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.

Businesses in all development opportunity zones can claim the development zone environmental remediation and jobs tax credit under the state individual income tax, corporate income and franchise tax, and insurance premiums tax. Businesses in the Beloit development opportunity zone can claim the development zones capital investment credit.

Development Zones Capital Investment Credit. The development zone capital investment credit was created by 2001 Wisconsin Act 16. The credit can be claimed by businesses in the Beloit development opportunity zone under the state individual income and corporate income and franchise taxes. (The credit can also be claimed by businesses in airport development zones and the agricultural development zone, if certified by Commerce.) The development zone capital investment tax credit equals 3% of the following:

a. 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.

b. 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 claimant acquired the property after the place where the property was located was designated a 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.

Claimants are required to include with their return: (a) Commerce verification that the claimant is eligible for the tax credit; and (b) a statement from Commerce verifying the purchase price and eligibility of the investment. 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 Beloit development opportunity zone. The Department of Commerce is authorized to certify as eligible for tax credits a business that is conducting economic activity in the zone 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 component 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:

a. The economic activity must be instrumental in enabling another business to conduct economic activity in the development opportunity zone.

b. Commerce determines that the economic activity of the other person would not occur without involvement of the person to be certified.

c. 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.

d. 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: (a) supplies false or misleading information to obtain tax benefits; (b) ceases operations in the development opportunity zone; or (c) 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 the technology zones tax credit. Businesses in technology zones can only claim a tax credit if certified by Commerce. Generally, the maximum amount of tax credits that can be claimed in a technology zone is $5.0 million. However, Commerce may allocate up to $6.0 million in unallocated airport development zone tax credits to the technology zones for which the $5.0 million limit on tax credits is insufficient. The authority to reallocate airport development zone tax credits expires in January 2010. 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.

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

a. The name, address, phone number and designated contact person of the eligible applicant.

b. A map outlining the specific area where technology development is likely to occur.

c. 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) supplier network available to high-technology business; and (9) other information requested by Commerce.

d. The eligible applicant's comprehensive plan or strategy developed for the attraction, promotion and expansion of high-technology business.

e. 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. The notification date is the beginning date of the technology zone. Commerce is required to notify DOR of a technology zone's designation.

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.

In order to participate in the technology zone program, a person must first contact the local technology zones representatives, who will explain the basic operation of the program, and determine if the business meets local criteria for technology zone tax credits. If the local representatives feel the high-technology business project is appropriate for the program, the business will submit a prospect data sheet and addendum providing information about the project. After considering factors such as job creation, the nature of technology involved, the project's impact on other high-technology businesses in the area, and the importance of tax credits to the project, local technology zone representatives will recommend to Commerce a total, three-year tax credit allocation. The zone representatives recommendation is reviewed by Commerce staff, who make a recommendation to the Secretary of Commerce. Commerce is required to certify businesses as eligible for technology zone tax credits.

To be certified as eligible for tax benefits, a business is required to be: (a) new and expanding; (b) high-technology; and (c) recommended by the technology zone contact.

A person whose business meets the eligibility requirements must submit an application to Commerce that includes the following:

a. The name, address and phone number of the high-technology business and a designated contact person.

b. The Wisconsin tax identification number of the business.

c. 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.

d. The estimated total investment by the business in the technology zone.

e. 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.

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

g. Historical and projected financial information.

h. Documentation supporting sales, property, and income tax projections.

i. Other information required by Commerce or the technology zone contact.

In determining whether or not to certify a business for tax benefits, the statutes require Commerce to consider: (a) the number of new jobs created; (b) the likelihood of attracting related enterprises; (c) the amount of capital investment; and (d) economic viability of the project. Similarly, administrative rules require that, in establishing tax benefit limits, Commerce must consider the following:

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

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

c. The amount of private investment that is likely to result from the project.

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

e. The competitive effect of the tax benefits on other businesses in the area.

f. Whether the project is likely to occur or continue without allocation of available tax benefits.

g. The financial soundness of the high-technology business.

h. The baseline goals of the high-technology business.

i. Other factors the Department considers relevant.

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

The Department may extend the certification for one additional two-year period based on at least one of the following factors: (a) additional significant job creation; or (b) additional significant capital investment. The business must meet or exceed baseline goals established in the original certification to have certification extended.

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: (a) submittal of false or misleading information in order to obtain certification; or (b) ceasing operations as a high-technology business in the technology zone.

The Department 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: (a) 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 (b) 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. Commerce is required to notify the Department of Revenue (DOR) of: (a) a person's certification for tax benefits and the limit on those tax benefits; and (b) the extension or revocation of tax benefits.

Certified businesses in technology zones can claim the technology zones tax credits. Statutorily, the 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. The technology zones tax credit equals the sum of the following: (a) the amount of real and personal property taxes paid during the tax year; (b) 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 (c) 15% of the amount spent for the first 12 months of wages for each job created in a technology zone.

Generally, the maximum amount of credits that can be claimed in a technology zone is $5 million. However, under provisions enacted in 2007 Wisconsin Act 183, Commerce may allocate up to $6.0 million of unallocated airport development zone tax credits to technology zones for which the $5.0 million maximum allocation is insufficient. The authority to reallocate airport development zone tax credits ends in January, 2010. (The airport development zone program is described in a succeeding section.) Credits may be used to offset the income or franchise tax liability of the claimant. Credits that are not entirely used to offset individual income and corporate income and franchise taxes in the current year, and can be carried forward up to 15 years to offset future tax liabilities.

Partnerships, LLCs, and tax option corporations may not claim the tax credit, but eligibility for, and the amount of credit is determined based on the economic activity of the entity. The partnership, LLC, tax-option corporation must compute the amount of credit that may be clamed by each partnership, member or shareholder and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations may claim the tax credit in proportion to their ownership interest.

The Department of Revenue is authorized to deny any portion of a technology zone credit that was claimed if allowing the full amount of the credit 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 the Department of Commerce of all technology zone tax credit claims.

Commerce is required to verify the tax credit claim and may request additional information to support the claim.

A certified high-technology business may claim tax credits on the DOR technology zone tax credit form (Schedule TC). Tax credit claims must also include:

a. A copy of the certification issued by Commerce.

b. A copy of a statement from Commerce verifying the claim.

c. The state employer tax identification number.

d. The North American Industry Classification System (NAICS) for the high-technology business.

e. 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:

a. Tax information required to claim the credits.

b. 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.

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

Certain documents, records, information, and other materials submitted with an application may not be subject to disclosure, and may be removed or separated from records that may be disclosed.

Information that may not be disclosed includes: (a) trade secrets; (b) tax documents; (c) social security and federal employer identification numbers; and (d) private financial information.

A "high-technology business" is defined as either of the following:

a. 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

b. 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.

Table 12 provides summary information about the amount of technology zone tax credits awarded as of December, 2008:

Table 12: Technology Zone Tax Credits Awarded Through December, 2008

Zone	Amount of Credits	Number of Claimants
Capital Ideas	$4,483,500	22
I-94 Corridor	4,156,500	21
Metropolitan Milwaukee	3,546,400	14
NEWREP	4,669,500	23
North Central Advantage	2,358,100	11
Southeast Tri-County	2,336,500	9
SuperiorLife	856,600	5
Western Wisconsin	2,230,700	9
Total	$24,637,800	114

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 unless the technology zone includes a municipality located within two counties.

An agricultural business that locates or expands in the zone and that is certified by Commerce can claim tax credits. In general, the total amount of tax credits that can be claimed in the agricultural development zone is $5.0 million. However, Commerce may allocate up to $6.0 million in unallocated airport development zone tax credits to agricultural development zones for which the $5.0 million maximum tax credit limit is insufficient. The authority to reallocated airport development zone tax credits expires in January, 2010. 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.

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:

a. The name, address, phone number and designated contact person of the eligible applicant.

b. A map outlining the specific area where agricultural business development is likely to occur.

c. 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. Examples of principal agricultural businesses development-supporting effort may include the presence of other agricultural businesses operating in the area, public facilities that may attract or support agribusiness, and financial or technical assistance available in the area for agriculture.

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 the agricultural development zone's designation.

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.

Commerce is required to certify businesses in the agricultural development zone for tax credits. Similar to the process used for certifying eligibility for technology zone tax credits, the first step in certifying eligibility for agricultural development zone tax credits is to contact the appropriate agricultural development zone coordinator. The zone coordinator meets with the person to discuss and evaluate the project and provide information. With assistance from the coordinator, the person completes an application and submits it to Commerce. Commerce staff review the application and make a final recommendation to the Secretary of the Department. The Secretary makes a final decision to approve the project, and certify the person for tax credits.

A person is eligible to apply for certification by meeting the requirements: (a) the person's business is new or expanding; (b) the person's business meets the definition of an agricultural business under administrative rules; and (c) a written recommendation for certification for the business is provided by the agricultural development zone contact.

A business must submit an application to Commerce that includes all of the following:

a. The name, address and phone number of the agricultural business and a designated contact person.

b. A description of the project.

c. The Wisconsin tax identification number of the business.

d. 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.

e. The estimated total investment by the agricultural business in the agricultural development zone.

f. 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.

g. The average starting wages and benefits that will be provided to persons hired as a result of the project.

h. Historical and projected financial information.

i. Other information required by Commerce or 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:

a. The prospects for the project to attract related agricultural business to the area.

b. The amount of private investment that is likely to result from the project.

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

d. The competitive effect of the tax benefits on other agricultural businesses in the area.

e. Whether the project is likely to occur or continue without allocation of the tax benefits available to the business.

f. The financial soundness of the agricultural business.

g. Whether the project will likely positively affect the area's economic distress.

h. Whether the project will result in the dislocation of an agricultural business from one municipality to another.

i. Other factors the Department considers relevant.

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:

a. Directly result in the 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.

b. Directly result in the 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.

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. A certified agricultural business must claim tax credits on development zone capital investment tax credit forms (Schedule DC).

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: (a) 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 (b) 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 significantly misestimated. Commerce is required to revoke certification of an agricultural business for either of the following circumstances: (a) submittal of false or misleading information in order to obtain certification; or (b) cessation of operations as an agricultural business within an agricultural development zone.

Agricultural businesses in the agricultural development zone may claim the development zone environmental remediation and jobs tax credit under the state individual income tax, corporate income and franchise tax, and insurance premiums tax. Eligible businesses can also claim the development zone capital investment credit, created under 2001 Wisconsin Act 16. (These tax credits are described in previous sections.) Jobs tax credits are allocated over three years based on projections, and claimed based on actual experience. Environmental and investment credits are claimed in the year of the expenditure. Commerce must verify tax credit claims. Generally, a maximum total of $5.0 million in tax credits can be claimed in an agricultural development zone. However, under provisions of 2007 Wisconsin Act 183, Commerce may allocate up to $6.0 million in unallocated airport development zone credits to agricultural development zones in which the $5.0 million allocation is insufficient. The authority to reallocated airport development zones tax credits expires in January, 2010.

Prior to filing for tax credits, a certified business must file with Commerce an annual report supporting the tax credit claim that includes:

a. Information required to claim the tax credits.

b. 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.

c. Documentation of investments.

d. Other information required by Commerce.

Certain documents, records, information, and other materials submitted to the Department are not subject to disclosure, and must be separated or removed from records that may be disclosed. Records and information that may not be disclosed include: (a) trade secrets; (b) tax documents; (c) social security and federal identification numbers; and (d) private financial information.

"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: (a) a city, town, or village that is located in a county with a population density of less than 150 persons per square mile; or (b) 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: (a) is making a capital investment such as expansion of existing facilities, construction of new facilities, or purchase of new equipment; or (b) 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.

Table 13 shows the amount of agricultural development zone tax credits awarded in each of the zone's regions, as of December, 2008.

Table 13: Agricultural Development Zone Tax Credits Awarded Through December, 2008

Region	Amount of Credits	Number of Claimants
Central Mississippi River	$309,000	2
North Central Six	1,133,200	6
South Central	1,073,800	8
Southwest	1,237,500	11
Total	$3,753,500	27

Airport Development Zones

2005 Wisconsin Act 487 created the airport development zone (ADZ) program, which provides tax credits to businesses that locate or expand operations and increase employees or investment in an ADZ. Commerce is authorized to designate an eligible area as an ADZ, and can specify the length of time the designation is effective, up to a maximum time period of seven years. A business that conducts economic activity in an airport development zone and that is certified by Commerce can claim the development zones jobs and environmental remediation tax credit, and the development zone capital investment tax credit. The maximum amount of tax credits that can be claimed in an ADZ is $3.0 million. A maximum of $9.0 million in total tax credits can be claimed over the life of the program. Provisions enacted in 2007 Wisconsin Act 183 authorize Commerce to allocate up to $6.0 million in unallocated airport development zone tax credits to the technology zones and/or the agricultural development zone if the $5.0 million total credit allocation for each of those zones is insufficient. The authority to reallocate ADZ credits expires January, 2010. Commerce is authorized to evaluate the area designated as an ADZ four years after designation and can reallocate the tax credits.

The Department of Commerce can designate an area as an ADZ if it determines all of the following:

a. The governing body of each county, city, village, and town in which the ADZ, or a portion of the ADZ, is located adopts a resolution indicting that an airport development project is desired for the area. (An "airport development project" means a business that locates or expands in an area designated as an ADZ in Wisconsin).

b. The airport development project serves a public purpose.

c. The airport development project will likely retain or increase employment in the state.

d. The airport development project is not likely to occur or continue without the area being designated as an ADZ by Commerce.

e. The airport development project will likely positively affect the area.

f. An airport is located in the area designated as an ADZ.

g. The airport has at least two runways at the time of designation, and the airport's primary runway is at least 5,000 feet in length, and its secondary runway is at least 3,000 feet in length.

In making these determinations, Commerce is required to consider all of the following:

a. The extent of poverty, unemployment, or other factors contributing to general economic hardship in the area.

b. The prospects for new investment and economic development in the area.

c. The amount of investment that is likely to result from the airport development project..

d. The number of full-time jobs that are likely to be created as a result of the airport development project.

e. The number of full-time jobs that are likely to be available to the target population (described under the development zones tax credit) as a result of the project.

f. The competitive effect of designating the area as an airport development zone on other businesses in the area.

g. The needs of other areas of the state.

h. Any other factors that Commerce considers relevant.

As noted, Commerce is authorized to designate an area as an airport development zone, up to a maximum time period of seven years. However, Commerce is required to give the Department of Transportation (DOT) the opportunity to review and comment on any proposed designation of an ADZ. DOT can deny designation of an ADZ if DOT determines that the designation would compromise the airport's safety or utility. DOT is also authorized to review and comment on land use or compatibility issues related to the designation. Designation of an ADZ must comply with all relevant local ordinances.

Commerce is required to notify of the designation, expiration date, and change of expiration date of an ADZ, each person certified for tax benefits in the ADZ, the Department of Revenue (DOR), the Wisconsin Housing and Economic Development Authority (WHEDA), DOT, and the governing body of each county, city, village, town, and federally recognized American Indian tribe or band in which territory the ADZ is located. Commerce cannot designate an area as an ADZ, if the area is located within the boundaries of a development zone, enterprise development zone, or a development opportunity zone. The Department must annually estimate the amount of forgone tax revenues due to tax benefits claimed by businesses in the zones. A zone expires 90 days after the day on which Commerce determines that the limit on tax benefits will be equaled or exceeded.

Current law requires Commerce to designate, as an airport development zone, the area within the boundaries of Adams, Fond du Lac, Green Lake, Juneau, Langlade, Lincoln, Marathon, Marquette, Menominee, Oneida, Portage, Price, Shawano, Taylor, Waupaca, Waushara, Winnebago, Wood, and Vilas Counties.

When the Department designates an area as an airport development zone, it is required to establish a limit, up to $3.0 million for each zone, on the amount of tax benefits that can be claimed by eligible businesses in the zone. The total amount of tax benefits that can be claimed in all airport development zones is $9.0 million. As noted, Commerce can allocate up to $6.0 million of this amount to technology and/or agricultural development zones, if the $5.0 million limit in tax credits for those zones is insufficient. The Department may not reallocate credits to those zones after 2009. Commerce is required to limit the amount a tax benefits that may be claimed in the required multi-county airport development zone to $750,000.

Commerce also establishes limits for tax benefits that can be claimed by certified businesses in each ADZ.

Commerce is required to certify a business conducting an airport development project as eligible for tax credits. A person that intends to operate a place of business in an airport development zone must submit an application and a business plan to Commerce. The business plan must include the following:

a. The name and address of the person's business for which tax benefits will be claimed.

b. The appropriate Wisconsin tax identification number of the person.

c. The names and addresses of other locations outside of the airport development zone where the person conducts business and a description of the business activities conducted at those locations.

d. The amount that the person proposes to invest in the place of business or to spend on the construction, rehabilitation, repair, or remodeling of a building in an ADZ.

e. The estimated total investment of the person in the ADZ.

f. The estimated number of full-time jobs that would be created, retained, or substantially upgraded as a result of the person's place of business in the airport development zone in relation to the amount of tax benefits that the person would receive.

g. The person's plans to make reasonable attempts to hire employees from the target population, and the estimated number of full-time jobs that would be filled by such individuals.

h. Any other information required by Commerce or DOR.

Commerce is required to give higher priority to plans for projects located in distressed areas as defined for WDF awards.

If the business plan submitted to Commerce is approved, the Department is required to certify the applicant as eligible for tax benefits. Within 30 days of certification, Commerce must notify DOR of the certification. Commerce is required to revoke a person's certification when the designation of the applicable airport development zone expires. In addition, Commerce must revoke certification if the person does any of the following:

a. Supplies false or misleading information to obtain tax benefits.

b. Leaves the ADZ to conduct substantially the same business outside the ADZ.

c. Ceases operations in the ADZ, and does not renew operation of the business or a similar business in the ADZ within 12 months.

Commerce is required to notify DOR of a revocation within 30 days after it occurs. Tax benefits are not transferable to another person, business, or location, except to the extent permitted under Internal Revenue Code (IRC) provisions governing change of ownership. Commerce also is required to verify tax credit information submitted related to airport development zones.

Businesses conducting airport development projects in the ADZ may claim the development zones environmental remediation and jobs tax credit, and the development zone capital investment tax credit. Commerce allocates tax credits to each certified person in an ADZ. (These tax credits are described in previous sections.)

Enterprise Zones

The enterprise zone program was created by 2005 Wisconsin Act 361. Under the enterprise zone program, Commerce is authorized to designate up to 10 areas in the state of not more than 50 acres as enterprise zones. A zone designation cannot last more than 12 years. Eligible businesses that conduct operations in an enterprise zone that are certified by Commerce can claim the refundable enterprise zones jobs tax credit

In determining whether to designate an area as an enterprise zone, Commerce is required to consider all of the following:

a. Indicators of the area's economic need, including data regarding household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, the rate of business development, and the existing resources available to the area.

b. The effect of designation on other initiatives and programs to promote economic and community development in the area, including job creation and job training, and creating high-paying jobs.

To the extent possible, Commerce must give preference in designating areas to those with the greatest economic need.

Commerce is required to certify a business as eligible for the enterprise zone jobs tax credit. The Department may certify for tax benefits any of the following:

a. A business that begins operations in an enterprise zone.

b. A business that relocates to an enterprise zone from outside the state, if the business offers compensation and benefits to its employees working in the zone for the same type of work that are at least as favorable as those offered outside the zone.

c. A business that expands its operations in an enterprise zone, and increases its personnel by at least 10%, and enters into an agreement with Commerce to claim tax benefits only for years during which the business maintains the increased level of personnel. The business must offer compensation and benefits for the same type of work to its employees working in the enterprise zone that are at least as favorable as those offered to its employees working in Wisconsin but outside the zone.

d. A business that expands its operations in an enterprise zone and that makes a capital investment in property located in the enterprise zone if the following apply: (1) the value of capital investment is equal to at least 10% of the business' gross revenues from business in the state in the preceding tax year; (2) the business enters into an agreement with Commerce to claim tax benefits only for years during which the business maintains the capital investment; and (3) the business offers compensation and benefits for the same type of work to its employees in the zone that are at least as favorable as those offered to employees working in Wisconsin, but outside the zone (as determined by Commerce).

Commerce must notify DOR when it certifies a business to receive tax benefits and when it revokes certification. Commerce is required to revoke a firm's certification if the business does any of the following:

a. Supplies false or misleading information to obtain tax benefits.

b. Leaves the enterprise zone to conduct substantially the same business outside the zone.

c. Ceases operations in the zone and does not renew operation of the business or a similar business in the zone within 12 months.

Enterprise Zones Jobs Tax Credit. The enterprise zones jobs tax credit is a refundable tax credit and is provided under the state individual income and corporate income and franchise taxes to businesses that are certified by the Department of Commerce. The enterprise zones jobs tax credit is calculated as follows:

a. Determine the lesser of: (1) the number of full-time employees that are employed in an enterprise zone whose annual wages are greater than $30,000 in the tax year minus the number of full-time employees that are employed in the enterprise zone in the base year whose annual wages are greater than $30,000 in the base year; or (2) the number of full-time employees in the state whose annual wages are greater than $30,000 in the tax year minus the number of full-time employees in the state whose annual wages are greater than $30,000 in the base year.

b. Determine the claimant's average zone payroll by dividing total wages for full-time employees in the zone whose annual wages are greater than $30,000 for the tax year by the number of those employees.

c. Subtract $30,000 from the average wage determined under " b."

d. Multiply the amount determined under "c" (average wage in excess of $30,000 a year) by the number determined under "a" (net number of new employees hired in the zone).

e. Multiply the amount determined under "d" by 7%.

A supplemental tax credit is available based on qualified training expenses.

Training Component. The claimant may claim a credit equal to the amount paid in the tax year to upgrade or improve the job-related skills of any of the claimant's full-time employees, to train any of the claimant's full-time employees on the job-related use of new technologies, or to provide job-related training any full-time employee whose employment with the claimant represents the employee's first full-time job.

As noted, the credit is refundable. Therefore, if the amount of credit exceeds the claimant's income or franchise tax liability, the state issues a check to the claimant for the difference.

Partnerships, LLCs, and tax option corporations may not claim the tax credit, but eligibility for, and the amount of credit is determined based on the economic activity of the entity. The partnership, LLC, tax-option corporation must compute the amount of credit that may be clamed by each partnership, member or shareholder and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations may claim the tax credit in proportion to their ownership interest.

The Department of Commerce is required to determine the maximum amount of tax credits that a certified business can claim and notify DOR of the amount. Commerce is also required to verify information submitted to it that is related to the enterprise zone jobs tax credit. Claimants are required to include, with their tax returns, a copy of the certification for tax benefits and verification of expenses from Commerce. Businesses may not claim enterprise zone tax credits to the extent the basis for the credit is the basis for another tax credit claimed by the business.

Commerce may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain employment or capital investment levels required by the certification agreement.

"Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the enterprise zone in which the claimant is located takes effect. "Claimant" means a person who is certified by Commerce to claim enterprise zone tax benefits and who files a claim for the new jobs credit. "Full-time employee" means an individual who is employed in a regular, nonseasonal job and who, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays. "State payroll" means the amount of payroll apportioned to this state under the income and franchise tax apportionment rules for multi-state businesses. "Zone payroll" is defined as wages paid to full-time employees for services performed in the enterprise zone. "Zone payroll" does not include the amount of compensation paid to any individual that exceeds $100,000. The definition of "Wages" is referenced to federal unemployment tax provisions to mean all remuneration for employment, including the cash value of all remuneration (including benefits paid in a median other than cash, with specified exceptions, such as payments to certain trusts or annuitant plans).

Administration of Income and Franchise Tax Credits

The Department of Commerce is required to perform certain administrative functions related to tax credits that can be claimed under the Wisconsin individual income and corporate income and franchise taxes. Usually, the Department's responsibilities include determining or certifying taxpayers or certain economic activity, such as investment and/or job creation, as eligible for specific credits, verifying eligibility criteria and activities, issuing certifications and verifications, and developing related reports and information. The Department also allocates to individual credit claims, tax credits that are subject to statewide limits. Commerce has specific administrative responsibilities under the state income and franchise taxes related to the following tax credits: (a) angel investment and early stage seed investment; (b) manufacturing investment; (c) film production services and film production company investment; (d) dairy manufacturing facility; and (e) electronic medical records.

Early Stage Business Investment Program

The early stage business investment program was created under the provisions of 2003 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 and early stage businesses by venture capitalists and angel investors. The angel investment tax credit provides a credit for an angel investment in a certified business (qualified new business venture), while the early stage seed tax credit provides a credit for an investment by a fund manager in a certified business. The Department of Commerce has administrative responsibilities related to eligibility, certification of qualified businesses and fund managers, verification, and reporting requirements for the Department and investors.

Qualified New Business Ventures. In order to qualify for the tax credits, an investment must be made in a certified business or "qualified new business venture." 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 certified by the Department and maintain its certification as a qualified new business venture only if it satisfies all of the following statutory criteria:

a. It has its headquarters in this state.

b. At least 51% of the employees employed by the business are employed by the state.

c. 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.

d. 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. However, businesses engaged in construction of power production plants that derive energy from renewable resources are eligible for angel investment tax credits.

e. It has not received more than $1,000,000 in aggregate investments that have qualified for angel investment tax credits.

f. It has not received aggregate private equity investment of more than $10 million.

Administrative rules further limit eligibility. Under the rules, at the time a business is certified, it must meet the following: (1) it has less than 100 full-time equivalent employees; (2) has been in operation for not more than seven consecutive years; and (3) it has not received aggregate private equity investment in cash of more than $5.0 million.

In determining whether to certify a business, Commerce is required to consider at least the following factors:

a. The business is in one of Wisconsin's targeted industries as determined by Commerce.

b. High growth potential of the business.

c. Management team experience.

d. Financial need.

e. Percentage of funds that will be spent in Wisconsin.

f. Barriers to entry.

g. Innovative or novel product or process.

In practice, Commerce will certify a business that: (a) is seeking private equity funding for pre-commercialization activities related to development of a proprietary new product or process in the state; (b) has been in business no more than 10 consecutive years; (c) has the principal administrative offices in Wisconsin or 80% of total payroll paid to people employed in Wisconsin; (d) has less than 100 full-time equivalent employees (total hours worked); (e) has 51% of employees working in the state; and (f) has received no more than $10 million of private equity investment in cash.

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:

a. Supplies false or misleading information to obtain certification.

b. Fails to continue to meet the required conditions or qualifications for obtaining the certification.

c. Has violated state, federal, or local laws or regulations related to the conduct of activities of the business.

d. Has had an officer or director arrested for or convicted of a crime substantially related to the activities of the business.

Angel Investment Tax Credit. The angel investment tax credit is provided under the state individual income tax, and is equal to 12.5% of the claimant's bona fide 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 as certified by Commerce. 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 $2.0 million 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 $5.5 million. The maximum total amount of tax credits that can be claimed for all tax years is $47.5 million. Also, the maximum total amount of investment in a qualified new business venture that qualifies for tax credits is $4 million, of which no more than $1 million can come from angel investors.

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 must verify that each member is an accredited investor also on a form prescribed by Commerce.

An "angel investor" is defined as an accredited investor that makes a bona fide angel investment. An "angel investment network" is defined as an entity comprised of accredited investors organized for the sole purpose of making a bona fide angel investment in a single qualified new business venture. A "bona fide angel investment" means an investment made by an "accredited investor" or angel investment network in a qualified new business venture. "Accredit investor" is defined as an individual who: (a) invests his or her own monies in a qualified new business venture; (b) does not own, control, or hold power to vote 20% or more of the outstanding securities of the qualified new business venture in which the eligible investment is proposed; and (c) is not a spouse, parent, grandparent, sibling, child, stepchild, or grandchild of an individual who owns, controls, or holds power to vote 20% or more of the outstanding securities of the qualified new business venture in which the eligible investment is proposed. In addition, at the time the original investment is made, "accredited investor" includes an individual who meets any of the following requirements:

a. 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.

b. 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.

c. The investor is an individual who is a director, executive officer, or general partner of the issuer, or of a general partner of the issuer of the securities being offered or sold.

d. The investor is an individual who has knowledge and experience in financial and business matters, and he or she is capable of evaluating the merits and risks of the prospective investment, or the issuer reasonably believes immediately prior to making any sale, that the purchaser comes within this description.

Early Stage Seed Investment Tax Credit. The early stage seed investment credit is provided under the individual income and corporate income and franchise taxes and is equal to 25% of the claimant's investment paid in the tax year to a certified 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. Up to $2 million in aggregate investment by a certified fund manager in a certified business qualifies for tax credits. The maximum aggregate amount of early stage seed investment tax credits that can be claimed for a tax year is $6.0 million. The maximum total amount of tax credits that can be claimed for all tax years is $52.5 million.

In order to be eligible for investments that qualify for tax credits the fund manager must be certified by Commerce. Fund managers that wish to be certified 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:

a. The applicant's experience in: (1) managing venture capital funds; and (2) investing in high growth, early stage businesses.

b. The past performance of: (1) investment funds managed by the applicant; and (2) businesses assisted by the applicant.

c. The portion of investment in the investment fund to be managed by the applicant that it expects to invest in qualified new business ventures.

d. Geographic distribution.

e. Focus on targeted industries or target group members.

f. Ability to access follow-on funding.

g. Services provided.

h. Commitment to Wisconsin.

i 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. A certified fund may invest in any business. However, only investments in certified businesses qualify for tax credits. A fund's tax credits are based on the proportion of its investors that pay Wisconsin income taxes. For example, if 50% of the fund's investors pay Wisconsin income taxes, the fund receives tax credits based on 50% of its investment in the qualified new business venture. The credits pass through to individual investors who pay Wisconsin income taxes. 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.

To be eligible for tax credits: (a) the initial qualifying investment by a fund manager into a qualified new business venture must occur after the date that the fund manager is certified by Commerce; (b) the funds invested into the qualified new business venture must be clearly identifiable as being cash invested in the fund managed by the certified manager after the fund manger is certified.

Commerce is required to revoke the certification of a fund manager, if the fund manager does any of the following:

a. Supplies false or misleading information to obtain the certification.

b. Fails to continue to meet the required conditions or qualifications for obtaining the certification.

c. Has violated state, federal, or local laws or regulations related to the conduct of the activities of the fund.

d. Has been arrested or convicted of a crime substantially related to the activities of the fund.

Commerce must notify DOR of any revocation.

Certain statutory and administrative provisions apply to both the angel investment and early stage seed investment tax credits. No credits can be claimed for investments unless the investment is kept in a certified business, or with a certified fund manager for at least three years. The maximum total amount of investment in a certified business that qualifies for tax credits is $4 million, of which no more than $1 million can come from angel investors. Investments made in a business prior to the time it is certified as qualified new business venture are not eligible for tax credits.

For the purposes of claiming both tax credits, "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: (a) common stock; (b) partnership or membership interest; (c) preferred stock; or (d) an equivalent ownership interest in the qualified new business venture acceptable to Commerce.

Angel investors, angel investor networks, and venture capital funds must follow a verification process in order to receive tax credits based on eligible investments. 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. Based on a review of submitted materials, Commerce issues a verification form to the angel investor, angel investment network, or certified fund manager stating the amount of tax credits that may be claimed. Investors must submit a copy of the certification for tax benefits issued for the business and/or fund manager and the verification form, including the amount of tax benefits that may be claimed and the date and amount of the investment, with the investor's tax return.

As noted, the amount of angel investment and early stage seed investment tax credits that can be claimed are subject to annual limits. Commerce allocates credits to applicants on a first-come, first-served basis. Commerce, in consultation with the Department of Revenue, can carry forward any unclaimed credit amounts for a given year to future years.

Partnerships, LLCs, and tax option corporations may not claim the angel investment or early stage seed investment tax credits, but eligibility for, and the amount of credits are determined based on the investments of the entity. The partnership, LLC, tax-option corporation must compute the amount of credits that may be clamed by each partnership, member or shareholder and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations may claim the tax credits in proportion to their ownership interest, or as specially allocated in organizational documents.

Angel investors, angel investment networks, and certified fund managers are required to file annual reports with Commerce that include information about the number and types of jobs created, how the funds were used, benchmarks achieved, commercialization success, and additional investments in the qualified new business venture. Angel investors and networks must file the annual reports as long as the investment in the business is held. Fund managers must file the annual reports for the lesser of 10 years, or the life of the investment fund.

Manufacturing Investment Tax Credit

Under the provisions of 2003 Wisconsin Act 99, the manufacturer's sales tax credit was replaced with a sales tax exemption, beginning January 1, 2006. Enacted in December, 2003, the act made 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.

To be certified, a business must meet one of the following conditions: (a) the business has retained 100% of the business' full-time jobs in Wisconsin from December 23, 2003 through either December 31, 2006, or December 31, 2007); (b) the business' average annual investment in Wisconsin from January 1, 2003, through either December 31, 2006, or December 31, 2007, is equal to no less than 2% of the total book value of the business' depreciable assets in facilities that are based in Wisconsin; or (c) the business' average annual investment in Wisconsin from January 1, 2003, through either

December 31, 2006, or December 31, 2007, is no less than $5 million.

"Annual investment" is defined as the purchase price of depreciable, tangible, personal property, and the amount expended to acquire, construct, rehabilitate, remodel or repair real property, for all of the taxpayer's facilities that are based in Wisconsin, in each calendar year. "Book value" means an asset's cost minus the accumulated depreciation since the asset was acquired. "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.

Applicants for tax credits were required to file an application with Commerce by September 30, 2008. Commerce certified 175 taxpayers as eligible to claim $143.5 million in tax credits. Commerce may revoke any certification if supporting information included in applications is found to be inaccurate or significantly misleading.

Film Production Tax Credits.

Provisions of 2005 Wisconsin Act 483 created both a film production services tax credit and a film production investment tax credit under the state individual income and corporate income and franchise taxes. For the purposes of claiming the tax credits, Commerce is required to: (a) accredit productions; (b) determine the amount of expenditures that are directly used to produce an accredited production; and (c) certify expenses that are related to establishing a film production company in Wisconsin.

Film Production Services Tax Credit. The film production services tax credit consists of three components. An eligible taxpayer can claim as a credit against the individual income and corporate income and franchise taxes any of the following.

a. An amount equal to 25% of the eligible salary or wages paid by a claimant to the claimant's employees, up to a maximum credit of $25,000 per employee, for services rendered in Wisconsin to produce an accredited production and paid to employees who were residents of Wisconsin at the time they were paid. The salary and wages have to be paid for services directly incurred to produce the accredited production. The tax credit cannot be claimed for the salaries of the two highest paid employees. Unused credit amounts can be carried for up to 15 years to offset future tax liabilities.

b. An amount equal to 25% of production expenses paid by the claimant to produce the accredited production. Amounts not used to offset tax liabilities are refundable.

c. An amount equal to the sales and use taxes paid by the claimant on the purchase of tangible personal property and taxable services that are used directly in producing an accredited production in the state, including all stages of production, from the final script stage to the distribution of the finished production. Unused credit amounts can be carried forward up to 15 years to offset future tax liabilities.

Partnerships, LLCs, and tax option corporations may not claim the tax credit, but eligibility for, and the amount of credit is determined based on the investments of the entity. The partnership, LLC, tax-option corporation must compute the amount of credit that may be clamed by each partnership, member or shareholder and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations may claim the tax credit in proportion to their ownership interest, or as specially allocated in organizational documents.

"Accredited production" is defined as a film, video, electronic game, broadcast advertisement, or television production, as approved by the Department of Commerce, for which aggregate salary and wages included in the cost of production for the period ending 12 months after the month in which the principal filming or taping of the production begins exceeds $100,000 for a production that is 30 minutes or longer, or $50,000 for a production that is less than 30 minutes. "Accredited production" does not include any of the following, regardless of production costs:

a. News, current events, or public programming, or a program that includes weather or market reports.

b. A talk show.

c. A production with respect to a questionnaire or contest.

d. A sports event or sports activity.

e. A gala presentation or awards show.

f. A finished production that solicits funds.

g. A production for which the production company is required under federal law to maintain records with respect to performers in programs with sexually explicit content.

h. A production produced primarily for industrial, corporate, or institutional purposes.

Public programming of a civic or governmental function is not eligible for becoming an accredited production.

"Production expenditures" means any expenditures that were incurred in the state and directly used to produce an accredited production, including expenditures for set construction and operation, wardrobes, make-up, clothing accessories, photography, sound recording, sound synchronization, sound mixing, lighting, editing, film processing, film transferring, special effects, visual effects, renting or leasing facilities or equipment, renting or leasing motor vehicles, food, lodging, and any other similar expenditure as determined by Commerce. "Production expenditures" also include expenditures for (a) music that is performed, composed, or recorded by a musician who is a resident of the state, or published or distributed by an entity that has its headquarters in the state; (b) air travel that is purchased from a travel agency or company that has its headquarters in the state; and (c) insurance that is purchased from an insurance agency or company that has its headquarters in the state. A travel promotion that addresses a sports event or sports activity is eligible for accreditation while a sports event or activity that is exclusively competitive in nature is not eligible. "Production expenditures" do not include expenditures for the marketing and distribution of an accredited production.

An "eligible claimant" is a film production company that operates an accredited production in the state. The company must own the copyright in the accredited production, or have contracted directly with the copyright owner, or a person acting on the owner's behalf, and the company must have a viable plan as determined by Commerce for the commercial distribution of the finished production.

In order to claim a tax credit, the claimant is required to file an application with the Department of Commerce, and Commerce is required to approve the application and accredit the production for the purpose of claiming the tax credit. A potential claimant must submit a separate accreditation application for each production. Commerce issues a written notice of accreditation.

In determining whether to accredit a production, Commerce is required to consider whether all of the following are likely:

a. The production would not occur in Wisconsin without the tax benefits provided through the film production tax credits.

b. The production would enhance economic development in Wisconsin.

c. The production would enhance the potential for increasing the film, video, or electronic game industry in Wisconsin.

d. The production would not hurt the reputation of the state of Wisconsin.

Commerce is authorized to revoke an accreditation, if supporting information submitted to the Department by the claimant is found to be inaccurate or false. If Commerce accredits a production, it must determine the amount of production expenditures that are eligible for the tax credit. To assist the Department in its determination, the claimant must submit, in writing, all of the following:

a. A list and description of the production expenditures incurred during the tax year.

b. A list of the salary or wages that were paid to eligible employees, and a description of the corresponding employee services rendered to the accredited production.

c. Attestation that the employees who received the salary or wages met Department of Revenue residency criteria, at the time of being paid.

d. Verification that the $50,000 or $100,000 salary and wages threshold for production time was exceeded.

e. An itemized list of the sales or use taxes paid in the tax year, corresponding to an itemized list of purchased tangible personal property and taxable services that were used directly in producing an accredited production, including all stages from the final script stage to the distribution of the finished production.

f. Demonstration that the claimant either owns the copyright in the accredited production, or has contracted directly with the copyright owner or a person acting in the owner's behalf.

g. A viable plan for commercial distribution of the finished production.

h. Any subsequent clarification requested by Commerce.

Commerce determines the following amounts:

a. The production expenditures that were incurred during the tax year.

b. The salary or wages that were paid during the tax year by the claimant to those employees who met the following criteria: (1) rendered services in Wisconsin to produce an accredited production; and (2) were residents of the state at the time they were paid.

c. The eligible sales or use taxes which were paid during the tax year.

Commerce is required to notify the claimant in writing of the eligible production expenditures. The Department may increase the amount of production expenditures that are eligible for the tax credit if the claimant submits adequate written justification for the increase. Commerce may decrease the amount of production expenditures after determining that the information submitted by the claimant, on which determination of eligibility was based, was inaccurate or significantly misleading. The Department is required to notify the claimant, in writing of any increase or decrease in eligible production expenditures. Commerce is also required to notify DOR of every production that is accredited, and of the amount of production expenses that are eligible for tax credits.

Claimants must submit to DOR copies of the approved accreditation and production expenses, the employer identification number, and the Northern American Industry Classifications System Code (NAICS) for the film production company with the tax return.

Film Production Company Investment Tax Credit. An eligible claimant can claim as a credit against individual income and corporate income and franchise taxes for the first three years that the claimant does business in the state as a film production company an amount that equals 15% of the following that the claimant paid in the tax year to establish a film production company in Wisconsin:

a. The purchase of depreciable, tangible personal property. The claimant must purchase the tangible personal property after December 31, 2007, and at least 50% of the property's use must be in the claimant's business as a film production company.

b. The amount expended to construct, rehabilitate remodel or repair real property. A claimant can claim 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 December 31, 2007, and if the completed project is placed in service after December 31, 2007. A claimant can also claim the credit for an amount expended to acquire real property if the property is not previously owned property, and if the claimant acquires the property after December 31, 2007, and if the completed project is placed in service after December 31, 2007.

Unused tax credit amounts can be carried forward up to 15 years to offset future tax liability.

Partnerships, LLCs, and tax option corporations may not claim the tax credit, but eligibility for, and the amount of credit is determined based on the investments of the entity. The partnership, LLC, tax-option corporation must compute the amount of credit that may be clamed by each partnership, member or shareholder and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations may claim the tax credit in proportion to their ownership interest, or as specially allocated in organizational documents.

"Film production company" is defined as an entity that creates films, videos, electronic games, broadcast advertisement, or television productions, not including the productions specifically excluded under the definition of "accredited production" used for the film production services tax credit (described above). "Physical work" does not include preliminary activities such as planning, designing, securing financing, researching, developing specifications, or stabilizing property to prevent deterioration. "Previously owned property" means real property that the claimant or a related person owned during the two years prior to doing business in the state as a film production company, and for which the claimant could not deduct a loss from the sale of the property to, or an exchange of the property with, the related person as defined under the federal IRC. "Incurred" means funds equal to the total cost have been disbursed by a potential claimant.

In order to claim a film production company investment tax credit, the Department of Commerce must certify, in writing, that the credits claimed were for expenses related to establishing a film production company in the state. To obtain the Department's preliminary approval of expenses for establishing a film production company, a potential claimant is required to submit, in writing, the following:

a. A valid, department-prescribed application form.

b. A preliminary, estimated list of expenses.

c. A description of how the estimated expenses will relate to establishing a film production company in Wisconsin.

d. Documentation showing the expenses conform to statutory eligibility requirements.

A potential claimant must provide any subsequent clarification requested by Commerce.

In determining whether to issue a preliminary approval of production company investment expenditures, Commerce must consider whether all of the following are likely:

a. The film production company would not be established in Wisconsin without the tax benefits provided by the credits.

b. The film production company would enhance economic development in Wisconsin.

c. The film production company would enhance the potential for increasing the film, video, or electronic game industry in Wisconsin.

If the Department determines that the expenses are likely to comply with statutory eligibility requirements, and that the film production company is likely to meet the conditions listed in a. to c., above, Commerce is required to issue a preliminary approval to the potential claimant. In order to obtain final certification of production company investment expenditures, and prior to applying for the tax credits, the claimant must submit to Commerce, a finalized, incurred list of expenses, along with an explanation for any expenses that differ from the list submitted for preliminary approval. The Department is required to certify in writing to the claimant, the expenses that the Department determines are related to establishing a film production company.

The Department may increase the amount of production expenditures that are eligible for the tax credit if the claimant submits adequate written justification for the increase. Commerce may decrease the amount of production expenditures after determining that the information submitted by the claimant, on which determination of eligibility was based, was inaccurate or significantly misleading. The Department is required to notify the claimant, in writing of any increase or decrease in eligible production expenditures. Commerce is also required to notify DOR the amount of expenses that are certified as eligible for tax credits.

The claimant has to submit a copy of the certification the employer's identification number and NAICS classification with the return. Commerce is required to notify DOR of certified investments.

Internet Equipment Tax Credit.

Provisions of 2005 Wisconsin Act 479 created a sales tax exemption and related corporate and individual income and franchise tax credit for certain Internet equipment used in the broadband market to provide Internet availability in areas of the state where there is no service provider. The Department of Commerce is required to certify businesses as eligible for the sales tax exemption and for related income and franchise tax credits, and to determine the maximum amount of tax credits and exemptions that a business can claim. Commerce can only allocate tax credits and exemptions to a business if the allocation of credits and exemptions is likely to increase the availability of broadband Internet service in areas of the state that are not served, or are served by one broadband Internet service provider.

A sales tax exemption is provided for the gross receipts from the sale of and the storage, use, or other consumption of Internet equipment used in the broadband market. To receive the exemption, the purchaser must certify to Commerce, in a manner prescribed by the Department, that the business will, by June, 2009, make an investment that is reasonably calculated to increase broadband Internet availability in the state. Every business that receives the exemption is required, within 60 days after the end of the year in which the investment is made, to file a report describing the investment.

A business may claim a tax credit against state individual income and corporate income and franchise tax liability the amount of the sales tax exemption for each of two tax years. The credit can be claimed in the first tax year following the tax year in which the business claimed the exemption. The amount of tax credits allocated to each business for each year the business can claim the tax credits must equal the amount of sales tax exemptions allocated to that business. The total amount of Internet equipment sales tax exemptions and Internet equipment income and franchise tax credits that can be allocated to all eligible businesses cannot exceed $7.5 million. The credit is not refundable, but unused credit amounts may be carried forward up to 15 years to offset future tax liabilities.

"Internet equipment used in the broadband market" is defined as equipment that is capable of transmitting data packets or Internet signals at speeds of at least 200 kilobits per second.

The Internet equipment sales tax exemption was effective July 1, 2007. Consequently, the individual and corporate income and franchise tax credit could first be claimed in tax years beginning on or after January 1, 2008. If Commerce certifies a business as eligible for tax credits and the sales tax exemption, the Department must determine the maximum amount of tax credits and exemptions that the business may claim. All of the $7.5 million in tax credits has been allocated to nine certified businesses.

Dairy Manufacturing Facility Investment Tax Credit

2007 Wisconsin Act 20 created a refundable dairy manufacturing facility investment tax credit under the state individual income and corporate income and franchise taxes. A person who intends to claim a dairy manufacturing facility investment tax credit must apply to Commerce for certification and allocation of the credit. Each application must be made on a Department-prescribed form, and must include a Department of revenue schedule DM (The dairy manufacturing facility investment credit form) listing the applicant's eligible expenses for the project. Each application is also required to include all of the following information:

a. A description of the business operations of the applicant, in relation to the project.

b. A description of what the project is.

c. A description of how the project will promote economic development.

d. Any other information that Commerce deems is necessary to evaluate applications and allocate credits.

e. Any subsequent clarification requested by Commerce.

The application must be completed and either post-marked or delivered to Commerce: (a) no sooner than the completion of the claimant's tax year in which the costs incurred on Schedule DM were incurred; and (b) no later than March 31 of the subsequent tax year, unless Commerce extends the deadline. No application can include costs incurred in tax years beginning on or after January 1, 2015.

Commerce will certify eligible claimants and allocate credits in manner that most likely promotes economic development. In determining the allocation of tax credits Commerce is required to consider the following factors:

a. The jobs created by the project.

b. The salaries, wages, and other employee benefits of the jobs created by the project.

c. The impact of the project on the dairy industry in Wisconsin.

e. The extent to which the area served by the project is economically distressed.

d. The amount of new, eligible capital investment in the project.

e. The impact of the project on business in Wisconsin.

f. Any previous assistance from Commerce.

Commerce may prorate some or all of credit allocations in order to broaden the potential for promoting economic development. Commerce is required to notify each applicant of the outcome of the application, and the Department of Revenue of every taxpayer that is certified for tax credits. Dairy manufacturing facility investment tax credit claims must include: (a) a copy of the certification for tax credits; (b) the employer's tax identification number; and (c) the North American Industry Classification System code (NAICS) for the certified applicant.

Dairy Manufacturing Facility Investment Tax Credit. The dairy manufacturing facility investment tax credit is equal to 10% of the amount paid in a tax year by a claimant for dairy manufacturing modernization or expansion related to the claimant's dairy manufacturing operation. The tax credit can be claimed for tax years beginning after December 31, 2006, and before January 1, 2015. The maximum aggregate amount of tax credits that a claimant can claim is $200,000, and a credit cannot be claimed for expenses that were deducted as trade or business expenses. If the allowable credit claim exceeds the taxes otherwise due on the claimant's income, the amount of credit claim that is not used is refundable. The total amount of tax credits that can be claimed is limited to $600,000 for fiscal year 2007-08, and to $700,000 for subsequent fiscal years.

Partnerships, LLCs, and tax-option corporations cannot claim the tax credit, but eligibility for, and the amount of the credit is based on the entity's payment of eligible expenses, subject to the $200,000 limit on the maximum aggregate amount of tax credits that a single entity can claim. A partnership, LLC, or tax-option corporation is required to compute the amount of the credit that each of its partners, members, or shareholders can claim and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations can claim the credit in proportion to their ownership interest.

If two or more persons own or operate a dairy manufacturing operation, each person can claim the dairy manufacturing facility investment tax credit in proportion to his or her ownership interest, subject to the aggregate total credit limit of $200,000.

"Dairy manufacturing modernization or expansion" is defined as constructing, improving, or acquiring buildings or facilities, or acquiring equipment, for dairy manufacturing, including the following, if used exclusively for dairy manufacturing, and if acquired and placed in service in Wisconsin during tax years that begin after December 31, 2006, and before January 1, 2015:

a. Building construction, including storage and warehouse facilities.

b. Building additions.

c. Upgrades to utilities, including water, electric, heat, and waste facilities.

d. Milk intake and storage equipment.

e. Processing and manufacturing equipment, including pipes, motors, pumps, valves, pasteurizers, homogenizers, vats, evaporators, dryers, concentrators, and churns.

f. Packaging and handling equipment, including sealing, bagging, boxing, labeling, conveying, and product movement equipment.

g. Warehouse equipment, including storage racks.

h. Waste treatment and waste management equipment, including tanks, blowers, separators, dryers, digesters, and equipment that uses waste to produce energy, fuel, or industrial products.

i. Computer software and hardware used for managing the claimant's dairy manufacturing operation, including software and hardware related to logistics, inventory management, and production plant controls.

"Dairy manufacturing" means processing milk into dairy products or processing dairy products for sale commercially. "Used exclusively" means used to the exclusion of all other uses, except for use not exceeding 5% of total use.

"Dairy product" means a value-added, saleable product resulting from processing milk or another dairy product, and includes: beverage milk products; soft milk products such as yogurt, ice cream and cottage cheese; cheese; butter; non-fat dried milk; whole milk powder; dried whey; whey protein concentrate or isolates; casein; and dairy waste that can be used to produce energy, fuel, and industrial products. "Milk" means the lacteal secretion of cows, sheep, or goats.

"Eligible capital investment" includes all expenses incurred in the acquisition, construction, or improvement of buildings or facilities, and the purchase price of depreciable personal property or equipment.

Electronic Medical Records Tax Credit

Electronic Medical Records Tax Credit. 2007 Wisconsin Act 20 created an electronic medical records tax credit under the individual and corporate income and taxes. The tax credit equals 50% of the amount paid by a health care provider in a tax year for information technology hardware or software that is used to maintain medical records in an electronic form. Tax credits not entirely used to offset income and franchise taxes can be carried forward up to 15 years to offset future tax liabilities. The maximum total amount of electronic medical records tax credits that can be claimed in a tax year is $10,000,000, and is allocated to claimants by the Department of Commerce.

Partnerships, LLCs, and tax-option corporations cannot claim the tax credit, but eligibility for and the amount of the credit is based on the entity's payment of allowable information technology costs. A partnership, LLC, or tax-option corporation is required to compute the amount of the tax credit each of its partners, members, or shareholders can claim and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations can claim the credit in proportion to their ownership interest.

Commerce is required to implement a program to certify health care providers as eligible to claim the electronic medical records tax credit. After certifying health care providers as eligible, Commerce is required to allocate tax credits to individual claimants, subject to the annual total credit limit of $10,000,000. Commerce must inform DOR of every health care provider that is certified and of the amount of tax credits allocated to each provider. Commerce must also, in consultation with DOR, promulgate rules to administer the certification and tax credit allocation process.

"Health care provider" is defined under current law provisions and means a licensed nurse, chiropractor, dentist, physician, podiatrist, perfusionist, physical therapist, occupational therapist, occupational therapy assistant, physician assistant, respiratory care practitioner, dietician, athletic trainer, optometrist, pharmacist, acupuncturist, psychologist, social worker, marriage and family therapist, professional counselor, speech-language pathologist, audiologist, speech and language pathologist, massage therapist, bodyworker, a partnership of providers, a corporation or LLC of providers that offer health care services, an operational cooperative sickness care plan that directly provides services through salaried employees at its own facility, a hospice, a rural medical center, an inpatient health care facility, and a community-based residential facility.

The electronic medical records tax credit can first be claimed for tax years beginning after December 31, 2009.

Health Professionals Loan Assistance Program

The Department of Commerce administers the Physician and Dentist Loan Assistance Program (PDLAP) and the Health Care Provider Loan Assistance Program (HCPLAP) which provide loan repayments for physicians, dentists, and certain other health care professionals who practice in designated health professional shortage areas. PDLAP repays loans for physicians and dentists, while HCPLAP repays loans for nurse practitioners (NPs), physician assistants (PAs), registered dental hygienists (RDHs), and certified nurse midwives (CNMs). To participate in either program, the health care professional must enter into a written 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 health care professional must agree to treat patients who are insured, or for whom health benefits are payable under Medicare, medical assistance (MA), or other government programs. The health care professional is eligible for loan repayments from federal matching funding if the individual meets the following requirements: (a) agrees 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; (b) accepts Medicare assignment as payment in full for services or articles provided; and (c) uses 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.

An eligible practice area is a health professional shortage area (HPSA), a medically underserved area (MUA), or medically underserved population (MUP). Federal criteria are used to designate these areas, which document areas of medical need in a state, county, or community usually measured against a required minimum number of health care professionals per thousand people in the area. An area or population that is designated a HPSA, MUA, or MUP must be a rational service area for the delivery of medical services, and can be defined in terms of entire counties, groups of contiguous counties, minor civil divisions, or census tracts.

The HPSA designation is the most commonly used, and can be for primary care, dental care, and mental health care. In general, HPSA designations are based on the health care provider to population ratio of a given area or population. In addition, health professionals in the surrounding areas must be overutilized, excessively distant, or otherwise inaccessible. HPSA designations can be made for high demand geographic areas and special populations. MUA and MUP designations are also used to identify areas in need of additional primary care medical services. However, these designations are based on infant mortality rates, poverty levels, and the elderly population, in addition to health care provider to population ratios.

Through the PDLAP 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 amount of loan repayment cannot exceed 75% of the loan balance. 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.

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 amount of loan repayment cannot exceed 75% of the loan balance. 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.

Base level funding for the PDLAP and HCPLAP programs is $488,700 PR annually in tribal gaming compact revenues. In addition, $300,000 in annual federal funding is provided. In 2008, loan assistance was provided to six doctors, seven dentists, one nurse practitioner, and three physician assistants. Through June 2008, a total of 198 health care professionals had participated in the programs.

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: (a) the Division of Investment and Export; (b) Wisconsin Main Street program; and (c) 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 Investment and Export

The Division of Investment and Export 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:

a. 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.

b. Providing marketing research direction and advice.

c. Disseminating export sales leads.

d. Introducing exporters to private sector service providers.

e. Locating agents and distributors.

f. Arranging trade show participation.

g. Organizing trade missions.

h. Speaking at seminars and other information-sharing events.

i. Generating lists of Wisconsin exporters.

j. 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 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:

a. Technical assistance for all aspects of the export process.

b. Explanations of foreign business practices and channels of distribution.

c. Market research advice and direction.

d. Locating agents or distributors through the Division's network of international representatives.

e. Providing emergency assistance in solving export problems.

Area specialists are knowledgeable about 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 position manages recruitment and logistical services related to trade shows and missions. Approximately $198,600 in program revenues was collected in 2007-08 under the fee-for-service program.

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 Clarkesmith Partners, which is headquartered in The Hague, Netherlands. The organization also has affiliate offices, in the United Kingdom, Germany, France, Belgium, Spain, Italy, Denmark, 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.

Most of the funding comes from Commerce, but the office charges companies additional fees for the most intensive services. The states share in the cost of operating the foreign offices. The Division pays for the contract with Clarkesmith Partners for services provided. The organization may have existing clients from other states or countries.

Foreign trade offices or service contract amounts:

	2007-08 Contract Amounts
Trade Offices	
Mexico City, Mexico	$168,200
Toronto, Canada	63,750
Sao Paulo, Brazil	52,500
Shanghai, China	52,500
Europe* (The Hague, Netherlands)	100,000
Total	$441,950

*Services contract.

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:

a. Strong organization.

b. Aggressive and varied promotions and marketing.

c. Attention to design and historic preservation.

d. Economic restructuring of the commercial district.

Up to five municipalities are selected biennially for the program based on review and ranking of applications. Municipalities include cities, villages and towns. The Department started to make designations of main street communities over a two-year period, rather than annually, beginning in 2007. As a result, no communities were designated in 2007, but three were designated in 2008.

Before Commerce considers an application, the Department must receive a letter of intent to apply signed by the clerk elected or administrative official of the municipality, and a representative must attend a pre-application workshop conducted by the Department. Applications must include the following:

a. A description of the general characteristics of the municipality.

b. A description of the economic activity and the businesses in the business area and surrounding areas.

c. A description of the business area that demonstrates it is a cohesive and recognizable district of historical significance with distinctive features or architectural character.

d. 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.

e. A description of the potential private sector investment in the business area proposed by the municipality.

f. Evidence of local organization and financial commitment to fund a local main street program, provide support for business area projects, and employ an executive director for not less than three years.

g. Evidence of local assistance to pay for the services for a design consultant recommended by the council.

h. A description of the municipality's need for the program and its expected impact on the municipality.

i. A description of local commitment to share the knowledge the municipality gains through the main street program with other municipalities.

j. Evidence of local organizational capacity to implement a local main street program.

k. Any other information the Department may require.

Selection Criteria. 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 executive director (at least half-time, if the population of the community is 5,000 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 $70,000 annually (including in-kind donations) is expected of applicants hiring a full-time executive director, and a minimum budget of $45,000 annually is expected of applicants hiring a part-time director.

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.

Technical Assistance. Commerce provides technical assistance to participants and nonparticipants. In the main street program, communities selected to participate in the Main Street Program receive five years of free technical services including:

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.

Executive director orientation and training sessions. Commerce staff provide a two-day orientation and training session to new Main Street executive directors and quarterly workshops for managers and volunteers.

Onsite technical assistance targeted to local needs. Staff and consultants provide technical assistance through one or two-day visits. Staff visits have 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 the four-point approach to downtown revitalization and specific topics.

Downtown market analysis. Commerce staff with the assistance of the 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.

Program assessments. Commerce staff assist Main Street communities in assessing progress and addressing specific issues.

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.

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 provided annual base level funding of $416,800 GPR and is staffed by 4.5 GPR positions: a state coordinator, a small business specialist, a downtown revitalization specialist, a design specialist, and half of a clerical position.

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
2005	Monroe and Prairie du Chien
2006	Lake Mills, Rhinelander, and Whitewater
2008**	Manitowoc, Port Washington, and Tomahawk

*The timing of selection was changed in 1998, delaying the selection of communities until 1999.

**Beginning in 2007, the Department started designating main street communities for a two-year period.

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: (a) developing, coordinating and implementing economic development policies and programs to strengthen tribal economics to create or attract businesses and jobs in tribal communities; (b) developing and coordinating programs, policies and activities that improve economic development and relationships between tribes and surrounding communities; (c) assisting American Indian entrepreneurs in gaining information and access to state economic and community development programs; and (d) 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 2003-04, 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, the 2003-05 budget bill deleted the $25,000 in tribal gaming funding used for the grant. As a result, the liaison grant program is authorized under the statutes but no funding is provided.

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:

a. Economic development.

b. Community development.

c. Increasing employment among American Indians.

d. Minority business certification under state law.

e. 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: (a) management assistance to existing businesses; (b) start-up assistance to new businesses including developing business and marketing plans, and assisting in securing development financing; and (c) 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.

Entities that are eligible for technical assistance are: tribal enterprises; American Indian businesses located on tribal lands; and American Indian businesses that directly benefit the economies of tribal communities.

A tribal enterprise is a business that is: (a) at least 51% owned and controlled and actively managed by the governing body of one or more American Indians tribes; and (b) currently performing a useful business function.

GLITC must prepare an annual report on the program to be submitted to Commerce.

Base level funding of $94,000 PR (from tribal gaming compact revenues) is provided 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 six 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. Area development managers 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: (a) promoting brownfields redevelopment projects and related educational activities; (b) coordinating interagency activities and responsibilities related to brownfields redevelopment projects; (c) identifying and resolving regulatory and liability issues related to environmentally contaminated properties; and (d) 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.

Women-owned Business Enterprise. The Department provides 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.

Under provisions of 2005 Wisconsin Act 358, Commerce is required to implement a program to certify "women-owned businesses" to provide those businesses with certain preferences in the federal government's procurement process. Commerce may charge a certification processing fee of up to $50. The Department is required to compile and periodically update a list of the certified businesses and make it available to the public.

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:

a. The Dairy 2020 Council is comprised of dairy producers, industry representatives, legislators and public representatives. Commerce staffs the Council.

b. The Dairy 2020 early planning grant program administered by WEN, with funding from Commerce.

c. 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:

a. Business climate.

b. Businesses management skills of dairy business owners.

c. 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.

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.

Small Business Clean Air Assistance Program. The program provides confidential, and non-regulatory services to small businesses (employing 100 or fewer individuals). Clean air specialists work as a liaison between small businesses and state regulating agencies (typically, the Department of Natural Resources [DNR]) and federal regulating agencies (such as, the Environmental Protection Agency [EPA]). Clean air staff develop publications, answer compliance questions, conduct on-site consultations, respond to regulatory inquiries, coordinate environmental compliance workshops, and direct businesses to other technical assistance providers. Staff also administers the Diesel Truck Idling Reduction Grant Program (described in an earlier section). Commerce is appropriated base level funding of $238,500 PR and 2.0 PR positions, and $72,100 SEG and 1.0 SEG position for program administration. The source of program revenue is emissions tonnage fees that are collected from federally-regulated sources. The SEG funding is from the petroleum inspection fund.

Wisconsin Business Retention and Expansion Study Program (WIBRES). The program provides Wisconsin communities with a survey tool to determine factors that affect business retention and expansion locally. Studies can be conducted in: (a) an individual community that involve a minimum of 25 businesses; (b) an area encompassing more than one community , but not the entire county; (c) a county; and (d) a composite area, including several separate community studies combined to provide county or regional data. The community survey can focus on a specific business segment, or on all businesses to focus on the area's general business climate. Studies are coordinated through the Department's area development managers.

The program recommends that communities follow a process that combines a business site visit with the Department's survey instrument to collect information from chief executive officers on the local business climate. The survey questionnaire includes the following categories: (a) history and status of present location; (b) nature of the business; (c) physical plant specifications; (d) markets and customers; (e) competitors; (f) future plans; (g) labor and manpower; (h) assessment of government relations, regulations, and services in the area; (i) financial conditions; (j) energy costs and supplies; (k) community linkage; and (j) overall impression. In addition to the survey questionnaire, communities can collect data to examine community specific issues. Commerce will design an addendum questionnaire for this purpose and provide a summary of the data collected.

Following WIBRES data analysis, the Department provides a written report with chart illustrations, that includes comparisons to statewide composite findings to allow the community to examine its business development situation in relation to other communities in the state.

Commerce covers costs associated with staffing and compiling the survey report. Eligible costs include instruction, data analysis, report development, and demonstrations of survey findings. The community is responsible for stationary and postage for correspondence with the businesses, data entry, printing of additional reports, and presentation costs, such as providing a meeting space.

Small Business Ombudsman. The small business ombudsman serves as an advocate for small business, and acts as a neutral dispute resolver on issues related to state administrative rules. The ombudsman aids in the resolution of administrative rule conflicts in a non-adversarial manner on behalf of small business. The ombudsman has powers to investigate and to make recommendations, but does not have authority to make or reverse administrative decisions. The ombudsman also provides additional technical assistance to small businesses.

CHAPTER 3

FORWARD WISCONSIN

Forward Wisconsin is a nonprofit organization created in 1984 to attract business to Wisconsin. Forward Wisconsin focuses on marketing Wisconsin to out-of-state companies to attract new businesses, jobs, and increased economic activity to the state. The organization currently has two full-time positions, offices in Madison and Milwaukee, and an annual budget of about $640,000. The state provides annual funding of $320,000 GPR to Forward Wisconsin through a separate appropriation under Commerce. State funds may be released to match an equal amount of private contributions. Forward Wisconsin also receives matching funding through private investments. The Board of Directors includes members from various private sector industries, educational institutions, four state legislators, the Secretary of Commerce, and the chairman is the Governor.

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

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

Forward Wisconsin typically conducts major annual marketing missions to Minneapolis/St. Paul and to Chicago to communicate directly with business executives who may be considering expansion options in Wisconsin. Letters from the Governor and cost-comparative information pieces are mailed to executives in targeted industry clusters. Forward Wisconsin also conducts mini-marketing missions when staff travels to trade shows, conferences, or special events in parts of the U.S. that appear to be good marketing targets for business recruitment.

In addition to its general marketing strategy, Forward Wisconsin promoted the biotechnology and wood products industry clusters in 2007-08. For example, the organization organized and coordinated the largest state marketing initiative undertaken at BIO 2007 in Boston, and at BIO 2008 in San Diego. Forward Wisconsin also joined with state businesses in exhibiting at the World Congress of Industrial Biotechnology and BioProcessing Conference in Chicago and at the Association of Woodworking and Furnishing Suppliers Conference in Las Vegas.

Historically, Forward Wisconsin has been responsible for out-of-state marketing and business attraction, while Commerce is responsible for existing business retention, expansion, financial programs and international development. In August, 2007, Commerce and Forward Wisconsin adopted a memorandum of understanding (MOU) to better coordinate the state's business attraction activities. Under the terms of the memorandum, Commerce agrees to:

a. Designate a division administrator (Investment and Export) to provide management and oversight of Forward Wisconsin staff and operations, at no cost to Forward Wisconsin.

b. Lead the effort, in conjunction with Forward Wisconsin and the Forward Wisconsin Board of Directors, to raise private sector matching funds for Forward Wisconsin.

c. Lead an effort, with the Forward Wisconsin staff and the Board, the Wisconsin Economic Development Agency (WEDA), and other economic development professionals, to: (1) review the current activities of Forward Wisconsin and make recommendations to the Board for strategic changes in marketing efforts; (2) improve the State of Wisconsin website to better integrate information on state incentives and make it easier to use by local economic development professionals; (3) identify needs and utilize any new resources that may be provided to initiate additional business attraction efforts.

d. Develop an integrated process that involves WEDA members, regional groups, Commerce, and Forward Wisconsin in order to: (1) identify prospective recruitment targets; (2) develop customized marketing materials for strong industry targets; (3) compile specialized pitch packs (recruitment materials) for companies that have a high potential to locate in Wisconsin; (4) integrate Commerce and other incentives into business attraction efforts; and (5) if necessary, integrate the Governor, Secretary of Commerce and other officials as salespersons.

e. Create strong communications and partnerships between Commerce's divisions of Business Development and Investment and Export (international), and Forward Wisconsin staff to ensure effective recruitment efforts.

f. Utilize other Commerce and state resources to support business attraction activities.

Under the MOU, the Forward Wisconsin Board of Directors agrees to:

a. Contract with Commerce for management services in lieu of hiring a new president of Forward Wisconsin.

b. Provide oversight, advice, and guidance to Forward Wisconsin and Commerce staff concerning business attraction.

c. Support fund-raising efforts.

d. Outline criteria by which the Board will judge the success of the partnership with Commerce.

e. Review the partnership on a periodic basis to: (1) share feedback with Commerce management; and (2) decide whether to continue, modify, or end the partnership with Commerce.

The MOU can be terminated by either the Department of Commerce or the Forward Wisconsin Board of Directors, for any cause, with 90 days notice.

APPENDIX I

Wisconsin Development Fund Awards
July 1, 2007 through June 30, 2008

Major Economic Development

Recipient (Location)	Use of Award	Award
Gehl Company (West Bend)	Construction of new 75,000-100,000 square foot office facility renovation of existing facility into a research and development center,	$1,000,000
Bucyrus International, Inc. (South Milwaukee)	Funding for third phase of a multiphase capacity expansion.	1,000,000
Affiliated Food Midwest Cooperative, Inc. (Norfolk)	Capital Investment for new wholesale food distribution facility.	800,000
Fresh Brands Distributing, Inc. (Sheboygan)	Retention of corporate head-quarters and distribution facility.	250,000
	Subtotal	$2,800,000

Customized Labor Training

Recipient (Location)	Use of Award	Award
Affiliated Food Midwest Cooperative, Inc. (Norfolk)	Train employees of a new wholesale food distribution center.	$400,000
Native's Path Food's Inc. (Richmond, Canada)	Acquire former Tombstone Pizza plant in Sussex, convert to organic cereal manufacturing facility.	250,000
Wausau Paper Corp. (Brokaw)	Train employees to use and maintain newly developed equipment.	226,419
Inland Label and Marketing Services (La Crosse)	Train 130 employees on new equipment as part of expansion of existing facility.	219,718
Corenso North America Corp (Wisconsin Rapids)	Conversion of a Fine Paper Machine to a Core Board Machine.	97,317
	Subtotal	$1,193,454

Business Employees' Skills Training

Recipient (Location)	Use of Award	Award
Tape Machining Corporation (New Berlin)	Train four employees for ISO certification machine shop.	$10,000
Creative Material Products, Inc. (Kimberly)	Train five employees in Workplace Organization/Visual Flow/Value Stream Map or Production, and in Visual Workplace Standardization.	5,000
Digalog Systems (New Berlin)	Train nine employees on-site for 12.5 days. Company designs and manufactures electronic test equipment.	5,000
Industrial Graphics Corporation (Fredonia)	Train eight employees in Value Stream Mapping. Printing company.	5,000
Industrial Stainless, Inc. (Green Bay)	Provide blueprint reading and fabrication-welding training for employees. Custom fabrication shop.	5,000
K/P Welding and Fabrication Inc. (Sheboygan)	Development and implementation of a Value Stream Mapping project. Welding and Fabrication company.	5,000
Mandel Company (Milwaukee)	On-site high end CAD software training by Barco Graphics for three union members.	5,000
nPoint, Inc (Madison)	Train new controller and other employees. Manufacturers of nanopositioning stages and electronics.	5,000
Pro-Active Engineering (Sun Prairie)	Training to improve management and cash flow. Engineering firm.	5,000
Toman Tool Corporation (Viroqua)	Lean Manufacturing Training.	5,000
Integrity Wire EDM, Inc. (Sussex)	ISO-19001 training. Manufacturing company.	2,000
Absolute Custom Extrusions Inc. (Milwauke)	Train employees to implement cost saving production. Plastics extrusion company.	1,875
Percitas Biosciences, LLC (Madison)	Train employees in drug development process.	1,000
	Subtotal	$59,117

Technology Development

Recipient (Location)	Use of Award	Award
Development Loans		
Wisconsin Small Engine Consortium (Madison)	Develop tools and methodologies to further engine design and manufacturing.	$100,000
Matching Grants		
Phoenix Nuclear Labs (Middleton)	Develop technologies associated with nuclear fusion.	$50,000
Venture Fund Loans		
Inviragen, Inc. (Mount Horeb)	Develop vaccines for emerging world-wide infectious diseases.	250,000
AquaMOST LLC (Madison)	Develop treatment system to remove ammonia from water. Includes systems with both fresh and salt water fish.	150,000
nPoint, Inc (Madison)	Working capital loan for development and marketing of nonpositioning system, used in rapid screening of pharmaceutical products.	150,000
	Subtotal	$700,000

Wisconsin Trade Program

Recipient (Location)	Use of Award	Award
aOva Technologies Inc. (Madison)	Participate in Great Lakes Governor's Mission to Argentina, Chile, and Brazil. April, 2008.	5,000
Badger Shredding Products, Inc. (Sturgeon Bay)	Participate in Japan-China Trade Mission. 2007.	5,000
Cleaning Systems, Inc. (DePere)	Attend CARWACS- Toronto Canada. March 2008	5,000
Conflex, Inc. (Germantown)	Attend ExpoPack Mexico 2008, Mexico City.	5,000
Continual Plastic Corporation (Delavan)	Attend Engalec 2007 Dairy Show and Conference. Torreon, Mexico, June, 2008.	5,000
CRG Logics, Inc (Green Bay)	Attend K show. Dusseldorf Germany, October 2007	5,000
DNA Star, Inc (Madison)	Attend European Society of Human Genetics. Barcelona, Spain June 2008	5,000
Dragon Technology Solutions (Middleton)	Participate in Japan trade mission. 2007.	5,000
Electronic Systems of WI, Inc. (Racine)	Attend Coil Winding, Insulation, Electrical Manufacturing Exhibition Conference (CWIEME). Berlin, Germany, June, 2008.	5,000
Elwood Corporation (Oak Creek)	Attend Coking.com Safety Seminar. Calgary, Alberta, September, 2007.	5,000
Fontaromal Chemical, Inc. (Milwaukee)	Attend Supplyside West. Las Vegas, Nevada, November, 2007.	5,000
H.O. Bastrom Company (Waukesha)	Attend Marintec China 2007. Shanghai, China, November 2007.	5,000
Lucigen Corporation (Middleton)	Attend Biotechnica 13th International Trade Fair for Biotechnology. Hanover, Germany. October 2007	5,000
Palmer Hamilton, LLC. (Elkhorn)	Attend the Education Show. Birmingham, UK, February, 2008.	5,000
Paradigm Sensors (Milwaukee)	Attend International Congress on Biodiesel: The Sciences and Technologies. Vienna, Austria, November, 2007.	5,000
Photonic Cleaning Technologies, LLC (Platteville)	Attend Photonics Europe. Strasburg, France, April, 2008.	5,000
Premier Tec, Ltd. (Racine)	Attend P-MEC Pharmaceutical Machinery and Equipment Convention. Milan, Italy, October, 2007.	5,000
Reality Works, Inc (Eau Claire)	Attend MEDICA. Düsseldorf, Germany, November, 2007.	5,000
SEURA Inc. (Green Bay)	Attend Cedia-Custom Electronics Design and Installation Association. Denver, Colorado, September, 2007.	5,000
Tailored Solutions, Inc. (Milwaukee)	Attend India Packaging Show 2008. New Delhi, August, 2008.	5,000
The Howard Company (Brookfield)	Participate in Council of Great Lakes Governor's Mission to Argentina, Chile, and Brazil. April, 2008.	5,000
Primoigan Biosciences, LLC. (Madison)	Attend BIO Medical Asia 2008. Singapore, April, 2008.	5,000
	Subtotal	$107,500

Legislative Designations

Recipient (Location)	Use of Award	Award
City of Green Bay	Funding for consulting fees for plan modification and project management associated with the city of Green Bay, Fox River Boardwalk project	$2,800,000
International Union of Painters and Allied Trades District Council No. 7. (New Berlin)	Fund costs associated with a training program for individuals entering the painting industry, including apprenticeship and continuing education programs.	250,000
Center for Advanced Technology & Innovation (CATI) of Racine County, Inc. (Sturtevant)	Fund operations which involved technology transfer and regional economic development services, such as staff training and integrating technology.	200,000
City of Eau Claire	Expansion (from 100,000 to 135,000 square feet) and renovation of the Hobbs Ice Arena.	50,000
City of Mondovi	Funding for youth community center.	25,000
City of Wisconsin Rapids	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	210,463
City of Marshfield	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	47,542
Village of Biron	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	45,279
City of Stevens Point	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	30,786
Village of Port Edwards	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	9,840
Town of Plover	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	8,517
Village of Vesper	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	5,049
Village of Whiting	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage,	4,786

Recipient (Location)	Use of Award	Award
	and Wood Counties.	
Town of Remington	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	4,008
Village of Friendship	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	3,237
Town of Auburndale	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	3,085
Village of Amherst Junction	Funding to offset loss of manufacturing property tax base due to devaluation of manufacturing property. Funds are part of a legislative set a side of $360,000 in 2007-08, to address the devaluation of manufacturing property in Adams, Portage, and Wood Counties.	2,808
	Subtotal	$3,700,400

Technology Assistance, Early Planning, and Enterpreneurial Training Grants

Recipient (Location)	Use of Award	Award
	Early planning grants are used to fund professional services to develop feasibility studies and business plans. Business must be in specific industrial clusters. Technology assistance grants fund professional services involved in preparation and review of federal research and development grant applications; for obtaining industry information, data or market research for applications for resrach and development or early-stage funding; or in meeting requirements to obtain seed or early-stage funding from outside sources. Entrepreneurial training grants fund up to 75% of tuition costs of approved courses at a local University of Wisconsin Small Business Development Center (SBDC) that address issues and provide instruction in preparing business plans and applications for financing. These grants are awarded by Wisconsin Entrepreneur's Network (WEN) with funding from Commerce. Commerce provides funding to WEN through Block grants to the University of Wisconsin Extension. Funding was provided in the 2003-05 and 2005-07 biennia. In addition, $1,200,00 in WDF grants was provided to WEN in 2008-09 to administer these programs.	
	GRAND TOTAL	$5,761,229

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

Energy Independence Fund
Renewable Energy Grants and Loans
2007-08

Recipient (Location)	Use of Award	Award
BEST Energies (Madison / Cashton)	Funding to implement innovative technologies in production of biofuels. Grant for two phase project: (a) develop technology for recovering corn oil from ethanol production, and using this product in its biodiesel facility; and (b) to design and produce efficient ethyl biodiesel products.	$1,000,000 ($500,000 grant / $500,000 loan)
Virent Energeices, Inc. (Madison)	Funding to design, build, and operate a pilot production plant capable of producing up to 10,000 gallons of bio-based gasoline annually.	$1,000,000 ($500,000 grant / $500,000 loan)
C&D Technologies (Madison)	Loan to design and develop a large-format, lithium-ion storage system for use with wind and solar power generation	$500,000
Johnson Controls -- Saft Advanced Power Solutions LLC (Glendale)	Grant to develop advanced materials, components, and processes for manufacturing lithium-ion batteries for use in hybrid and electric vehicles.	$500,000
Orien Energy Systems, Inc. (Manitowoc)	Funding for design and manufacture of high-performance energy-efficient lighting systems and controls and related services. Loan used to demonstrate the commercial viability and practical value of its solar energy-harnessing device for lighting industrial facilities	$420,000 ($220,000 grant / $200,000 loan)
C5-6 Technologies, Inc. (Milwaukee)	Grant to develop a group of novel enzymes designed to significantly increase ethanol yield in corn ethanol plants.	$350,000
Hilbert Bioediesel, LLC (Hilbert)	Loan to produce a high-quality, marketable B100 biodiesel fuel from animal and vegetable waste products.	$336,000
Energenecs, Inc. (Oconomowoc)	Loan to expand and upgrade the City of Oconomowoc's wastewater treatment plant by replacing the current anaerobic digestion system with a model biogas-to-renewable energy system.	$313,000
Fuel Makers, LLC (Eden)	Grant to establish research and development facility focused on the conversion of cellulosic and other carbon-based materials into methanol, ethanol, diesel fuel, and synthetic gasoline.	$250,000
Grand Meadow Energies LLC (Stratford)	Grant to develop optimal blend of algae and whey wastes to produce biodiesel fuel.	$265,000
Great Lakes Ag Energy LLC (Fitchburg)	Grant to perfect the conversion of agricultural residues, by-products, and wood biomass to nano-porous cellulose for conversion to biofuel	$250,000
Green Stone Technologies, LLC (Madison)	Grant to develop a working prototype of a solar window.	$250,000
Idle Free Systems, Inc. (Watertown)	Grant to test and develop the company's biofuel floro system, to permit year-round use of biodiesel fuel in diesel-fueled vehicles.	$250,000
Pabst Engineering and Manufacturing, Inc. (Onalaska)	Grant to develop a prototype bioreactor to accelerate the anaerobic digestion process by 90%.	$250,000
Sol Rayo LLC (Madison)	Grant to commercialize a new material that will reduce cost and increase the electrical energy storage of ultra-capacitors, to make solar energy more practicable for utility use.	$250,000

Recipient (Location)	Use of Award	Award
Silatronx, Inc. (Madison)	Grant to develop expertise in clean energy engineering and business development to advance the company's technology platform.	$243,000
Eaton Corporation (Milwaukee)	Grant to develop a power conversion and energy storage system that manages energy from a renewable source.	$229,000
PDMS Systems, Inc. (Marathon County)	Grant to develop, manufacture, and deliver solar thermal electrical generation equipment comparable in cost to conventional generation and to provide super peaking power.	$210,000
American Science and Technology Corporation (Wausau)	Grant to research a bio-refinery process that can be used in existing pulp and paper manufacturing facilities in Wisconsin.	$150,000
Paradign Sensors LLC (Milwaukee)	Loan to develop a hand-held, biofuel water analyzer, to test water percentages in biofuels	$150,000
INOV8 International, Inc. (La Crosse)	Grant to develop and test a dual-fuel burner that will enable restaurants to use waste vegetable oil as fuel to produce hot water.	$135,000
Bio-Energy and Environment LLC (Madison)	Grant to fund: (a) research into algae growth and production variables; and (b) development of a small, prototype "closed reactor" cultivation plant.	$100,000
Bio-Products Engineering Corporation (Richland Center)	Grant to assist company in financing part of the conversion at laboratory scale of high-strength, volatile fatty acids into methane-rich biogas and to establish parameters to commercialize the technology.	$70,000
Steinbine Development LLC (Deerfield)	Grant to evaluate the efficiency and life cycle of an impulse, turbane that recovers underutilized hydropower resources.	$55,000
	TOTAL	$7,316,000

APPENDIX III

Brownfields Grant Awards
2007-08*

Municipality	Recipient	Project Description	Amount
Ashwaubenon	CRL, LLC	Grant for cleanup of PCB contaminated soil at an 11 acre property to be developed for a continuing care residential community project. Will involve senior apartments and living units.	$1,250,000
Milwaukee	Milwaukee Block 10 Properties LLC	Grant for remediation and demolition at a downtown property. Project will include a hotel with retail space.	750,000
Milwaukee	Lighthouse Development Company	Grant for demolition, renovation, and construction in the Harbor View (Fifth ward) neighborhood. Mixed-use development.	500,000
Cedar Grove	Village of Cedar Grove	Grant for environmental cleanup and demolition of buildings to redevelop former Bruce Foundry site. Project for local business expansion.	450,000
Kenosha	Silverstone Partners, Inc	Grant for environmental cleanup of site for residential development project for affordable housing for seniors.	409,500
Shawano	Ciry of Shawano	Grant for redevelopment and modernization of downtown buildings. Project for new world headquarters for Cooperative Resources International, Inc (CRI).	400,000
Glendale	Canterbury Court, LLC	Grant to reimburse remediation and demolition expenditures. Project for residential (condominiums) construction.	400,000
Sturtevant	RKB Enterprises, LLC	Grant to reimburse remediation expenditures at a site that includes an industrial building.	325,000
Mauston	City of Mauston	Grant for site cleanup and environmental cleanup of a downtown block project to prepare site for new construction.	283,000
Frederic	Village of Frederic	Grant for asbestos abatement and demolition of former feed mill and drugstore at downtown site. Project for expansion of assisted living center and extension of sidewalk and streetscape improvements.	270,000
Sheboygan	City of Sheboygan	Grant to reimburse remediation and demolition expenditures at former Kingsbury Brewery site, Project to partner with developer to create apartments.	250,000
Milwaukee	SBPI, LLC	Grant for environmental cleanup and new construction of the former AMPCO facility in the Stadium Business Park. Project involves construction of office and warehouse buildings.	250,000

Municipality	Recipient	Project Description	Amount
Milwaukee	Clark Square Terrace, LLC	Grant for environmental cleanup of site on W. Pierce Street. Project to construct a new residential apartment complex.	200,000
New Holstein	Heus Manufacturing Company	Grant to acquire and equip the former Tecumseh facility.	$100,000
Edgerton	City of Edgerton	Grant to redevelop a downtown parking lot. Project to develop mixed use commercial and residential building and parking facilities.	87,500
Glendale	Beerline Crossing, LLC	Grant to redevelop former Beecker Foods site on N. Port Washington Ave. Project involves rehabilitating existing facility into warehouse and office space.	75,000
		TOTAL	$6,000,000

* Total Brownfields grant funding was reduced by $1.0 million from $7.0 million to $6.0 million in 2007-08, to reduce an expected June 30, 2008 shortfall in the available balance of the segregated environmental management account.

APPENDIX IV

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	$1,028,073	7	153	223
Iron County	1989	456,873	13	53	201
Manitowoc	1989	3,732,505	25	2,724	1,222
Milwaukee	1989	7,099,008	64	4,347	2,064
Racine	1989	2,424,790	23	2,433	454
Stockbridge-Munsee	1989	46,000	2	0	13
Sturgeon Bay	1989	1,653,991	37	1,458	582
Superior	1989	691,725	13	82	273
Fond du Lac	1991	1,447,732	26	543	469
Green Bay	1991	1,199,737	16	473	238
Lac du Flambeau	1991	291,944	4	1	49
Richland, Crawford, and Vernon Counties	1991	1,207,712	12	529	371
Eau Claire	1995	1,436,591	28	586	461
Two Rivers	1995	909,560	10	1,459	188
Janesville	1996	1,046,505	11	575	366
Lincoln, Langlade, Florence, and Forest Counties	1996	1,033,069	12	237	268
Grant and Lafayette Counties	1996	1,511,681	29	722	412
Juneau, Adams, and Marquette Counties	1996	1,956,433	23	862	703
Marinette and Oconto Counties	1998	1,602,000	11	537	353
Ashland, Bayfield, and Price Counties	1998	1,407,000	9	867	375
Kenosha	2001	250,000	1	0	183
LaCrosse	2001	1,895,500	8	320	493
Total		$34,328,429	384	18,961	9,961

* As of December, 2008.

APPENDIX V

Enterprise Development Zone Program
(as of December 1, 2008)

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	34	1,235,406
Oconto Falls	Cera-Mite Corp.	November 1, 1995	5,000,000	150	162	366,000
Neillsville	Leeson Electric	December 11, 1995	2,500,000	150	0	900,000
Marinette	Karl Schmidt Unisia	January 12, 1996	50,000,000	350	384	2,100,000
Menomonee Falls	Strong Capital Management, Inc.	February 12, 1996	30,000,000	500	528	3,000,000
Wisconsin Rapids	Renaissance Learning, Inc.	February 16, 1996	20,000,000	370	130	2,000,000
Kenosha	DaimlerChrysler Corp.	April 1, 1996	364,000,000	414	1,405	3,000,000
Multiple locations	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	244	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, 2996	29,000,000	555	0	3,000,000
Multiple locations	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	430	1,200,000
Janesville	Alliant Techsystems, Inc.	November 10, 1996	3,500,000	0	250	1,000,000
Dodgeville	Lands' End, Inc.	November 20, 1996	62,000,000	666	1,498	3,000,000
Green Bay	KI	January 10, 1997	7,600,000	175	689	1,050,000
Sheboygan	J.L. French Corp.	February 1, 1997	43,000,000	220	720	1,320,000
Saukville	Charter Manufacturing Co., Inc.	March 21, 1997	25,000,000	200	663	1,200,000
Racine	J.I. Case	May 1, 1997	116,000,000	500	1,739	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	417	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 Millwork Co., Inc.	August 18, 1997	6,000,000	200	0	525,000
Bonduel	KI	November 17, 1997	4,900,000	375	0	2,250,000
Milwaukee	Johnson Controls	March 1, 1998	17,000,000	350	915	1,750,000
Port Washington	Simplicity Manufacturing, Inc.	March 31, 1998	970,000	60	470	2,180,000
Multiple locations	Wausaukee Composites, Inc.	April 30, 1998	3,700,000	200	135	1,000,000
Oshkosh	The Fonda Group, Inc.	July 31, 1998	13,000,000	207	93	1,500,000
Ripon	Alliance Laundry Systems, LLC	January 1, 1999	31,000,000	200	4,880	3,000,000
Mequon	Allen-Bradley Co.	January 1, 1999	49,500,000	65	460	2,165,000
DePere	IDS Property Casualty	February 15, 1999	20,891,000	357	391	1,785,000
Hudson	Whitmire Distribution Corp.	April 1, 1999	8,500,000	71	0	426,000
Multiple locations	The Charlton Group	August 1, 1999	1,500,000	280	83	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	94	1,600,000
Brodhead	Stoughton Trailers	January 1, 2000	13,700,000	367	0	2,053,000
Multiple locations	Sargento Foods, Inc.	April 1, 2000	9,100,000	324	949	1,620,000
Manitowoc	* The Manitowoc Co., Inc.	May 22, 2000	4,200,000	600	800	3,000,000
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	297	710,000
La Crosse	City Brewing Co., LLC	December 1, 2000	14,000,000	100	0	800,000

City	Company Name	Certification Date	Zone Investment	Jobs Created	Jobs Retained	Credit Allocation
Racine	CNH America, LLC	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	Lands' End, Inc.	March 1, 2001	19,000,000	500	0	3,000,000
Oshkosh	U.S. Bancorp	March 1, 2001	9,283,000	297	532	891,000
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
Cudahy	Patrick Cudahy, Inc.	June 1, 2001	22,548,000	500	1,125	3,000,000
Milwaukee	* USF Holland	August 1, 2001	7,817,000	50	276	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	554	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	600	2,437	3,000,000
Milwaukee	* Aldrich Chemical Co., Inc.	January 5, 2004	90,000,000	0	400	3,000,000
Madison	Covance Laboratories, Inc.	January 1, 2005	57,700,000	400	1,217	2,000,000
Ripon	Ripon Foods / Heritage Wafers	January 1, 2005	7,300,000	100	317	3,000,000
Menomonee Falls	Kohl's Department Stores, Inc.	January 10, 2005	25,000,000	1,000	2,700	3,000,000
Wauwatosa	G.E. Medical System & Information Technologies, Inc.	July 5, 2005	40,000,000	500	0	3,000,000
Waupaca	ThyssenKrupp	September 19, 2005	45,000,000	60	1,583	750,000
Multiple locations	Quad / Graphics, Inc.	November 10, 2005	290,000,000	750	4,847	3,000,000
Ripon	Alliance Laundry Systems, LLC	November 21, 2005	10,300,000	330	855	2,000,000
Milwaukee	Miller Breweries east, Inc.	January 1, 2006	5,689,000	0	714	1,250,000
Milwaukee	Direct Supply, Inc.	January 1, 2006	68,540,000†	500	0	3,000,000
Milwaukee	Direct Supply, Inc.		0	500	0	3,000,000
Sparta	Multistack, LLC	January 1, 2006	4,100,000	31	42	106,500
Chilton	Worthingon Cylinders	February 1, 2006	11,300,000	0	150	900,000
Fond du Lac	Brenner Tank, LLC	March 4, 2006	1,830,555	75	223	310,000
Wausaukee	Wausaukee Composites, Inc.	April 17, 2006	3,500,000	185	195	925,000
Howard	Hattiesburg Paper Company, LLC	April 18, 2006	25,300,000	206	20	1,000,000
Multiple locations	Bemis Company, Inc.	May 1, 2006	20,000,000	500	0	3,000,000
Multiple locations	Northwestern Mutual Life Insurance Co.	May 16, 2006	80,000,000‡	500	4,649	3,000,000
Multiple locations	Northwestern Mutual Life Insurance Co.	May 16, 2006	0	500	0	3,000,000
Multiple locations	Northwestern Mutual Life Insurance Co.		0	0	4,451	1,500,000
Milwaukee	Tramont Corporation	June 1, 2006	0	234	0	1,287,000
Menomonee Falls	CTC Holdings, Inc.	June 1, 2006	4,433,333	124	0	590,000
Sparta	Legacy Archery	June 5, 2006	4,995,000	50	0	250,000
Brillion	Ariens Company	June 8, 2006	4,700,000	0	650	1,000,000
Eau Claire	GSI Call Center, Inc.	June 26, 2006	9,900,000	732	0	3,000,000
La Crosse	Chart Energy and Chemicals, Inc.	June 29, 2006	10,000,000	120	350	900,000
Appleton	Miller Electric Manufacturing Company	July 1, 2006	5,400,000	185	0	1,200,000
Green Bay	Ahlstrom Green Bay, LLC	July 6, 2006	28,687,035	39	0	250,000
Fredonia	* Phillips Plastics Corporation	July 7, 2006	5,973,245	0	0	1,000,000
Manitowoc	Tramontina USA, Inc.	July 17, 2006	6,310,000	63	61	189,000

City	Company Name	Certification Date	Zone Investment	Jobs Created	Jobs Retained	Credit Allocation
Woodville	OEM Fabricators, Inc.	July 24, 2006	$4,000,000	100	0	$250,000
Multiple locations	Captel, Inc.	August 8, 2006	11,675,000	250	322	3,000,000
Superior	Superior Glass, Inc.	September 21, 2006	243,937	12	0	40,000
Manawa	Sturm Foods	September 27, 2006	10,000,000	75	0	250,000
Fond du Lac	J.F. Ahern, Co.	September 27, 2006	4,570,000	228	0	2,010,000
Antigo	Sartori Food Corporation	October 9, 2006	55,200,000	0	110	550,000
Eau Claire	Menard, Inc.	October 27, 2006	130,000,000	250	0	1,500,000
Peshtigo	BPM, Inc.	October 27, 2006	5,000,000	58	0	290,000
Medford	J. Bauer Trucking, Inc.	October 27, 2006	1,700,000	40	0	1,700,000
Pleasant Prairie	Uline, Inc.	November 8, 2006	12,000,000	75	0	375,000
Janesville	Freedom Plastics, Inc.	November 13, 2006	3,332,259	14	0	42,000
Bonduel	KI	December 4, 2006	1,120,000	63	115	375,000
Watertown	Clasen Quality Coatings, Inc.	December 4, 2006	14,200,000	25	95	150,000
Fort Atkinson	Spacesaver Corporation	December 11, 2006	850,000	20	0	100,000
Lancaster	Woolwich Dairy Inc.	January 1, 2007	4,698,000	100	0	300,000
Ashwaubenon	Larsen Converting Industries, Inc.	January 1, 2007	3,500,000	14	57	70,000
Multiple locations	Sara Lee Corporation	January 1, 2007	6,900,000	0	80	240,000
Menomonee Falls	Kohl's Department Stores, Inc.	January 1, 2007	11,000,000	200	0	1,000,000
Sheboygan	Fresh Brands Distributing, Inc.	January 1, 2007	500,000	0	361	1,000,000
Beloit	Kerry Ingredients & Flavours	January 1, 2007	19,000,000	150	901	3,000,000
Madison	Wisconsin Physicians Service Insurance Corporation	January 1, 2007	0	75	3,117	300,000
Kiel	Polar Ware Company	January 1, 2007	5,500,000	0	315	250,000
Plymouth	Sartori Food Corporation	January 1, 2007	15,000,000	10	113	398,000
Oconto	Team Industries, Inc.	January 1, 2007	3,275,000	65	184	401,000
La Crosse	Logistics Health, Inc.	January 1, 2007	19,225,000	350	320	1,750,000
Multiple locations	Time Warner Entertainment Co. L.P.	January 1, 2007	5,000,000	300	1,825	1,050,000
Multiple locations	Neenah Paper, Inc.	January 1, 2007	5,000,000	89	615	445,000
Madison	Kraft Foods Global, Inc.	January 1, 2007	51,000,000	100	3,425	3,000,000
Madison	Franklin Fueling Systems	January 11, 2007	2,183,000	63	131	188,675
Oshkosh	Miles Kimball Company	March 1, 2007	2,725,640	50	0	250,000
Milwaukee	DRS Technologies, Inc.	March 1, 2007	10,800,000	15	310	1,300,000
Multiple locations	Sargento Foods Inc.	April 1, 2007	50,000,000	500	0	3,000,000
Cross Plains	The Allstate Corporation	April 1, 2007	1,500,000	212	0	750,000
Multiple locations	Manitowoc Cranes, Inc.	October 1, 2007	24,343,175	157	0	1,020,000
De Pere	Wild Blue Technologies Inc.	October 1, 2007	222,900	12	12	57,500
Brownsville	Michels Corporation	October 15, 2007	7,500,000	310	541	1,550,000
Plymouth	Masters Gallery Foods	November 9, 2007	11,300,000	45	175	241,500
Sturtevant	McLane Foodservice, Inc.	November 14, 2007	9,500,000	41	195	260,500
Milwaukee	Milwaukee Machine Works	November 15, 2007	6,800,000	81	17	353,500
Bellevue	Cherry Optical Inc.	January 1, 2008	730,000	22	14	57,000
Jefferson	Nestle' Purina PetCare Company	January 1, 2008	39,780,000	20	183	100,000
Neenah	Menasha Packing Company LLC	January 1, 2008	16,629,000	0	1,088	279,500
Kaukauna	Mid Valley Industries, LLC	January 1, 2008	4,000,000	75	82	487,500
Brillion	Professional Plating, Inc.	January 1, 2008	8,300,000	32	123	100,000
Stoughton	Uniroyal Engineered Products, LLC	January 1, 2008	1,507,000	57	113	370,500
Mt. Pleasant	Horizon Retail Construction	January 1, 2008	10,580,000	70	82	250,000
Milwaukee	Wixon Industries, Inc.	January 1, 2008	1,900,000	62	187	305,000
Stevens Point	Travel Guard Group, Inc.	January 1, 2008	11,200,000	300	574	1,115,000
Nekoosa	ERCO Worldwide (USA) Inc.	January 15, 2008	65,000,000	0	78	624,000
Multiple locations	Stark & Roth, Inc.	March 1, 2008	22,500,000	278	344	1,807,000

City	Company Name	Certification Date	Zone Investment	Jobs Created	Jobs Retained	Credit Allocation
Greendale	The Kinetic Co., Inc.	March 15, 2008	$2,500,000	13	75	$78,500
Racine	Automation Engineering Associates, Inc.	June 30, 2008	250,500	15	0	97,500
Fond du Lac	Wausau Equipment Company, Inc.	July 1, 2008	2,400,000	34	0	221,000
Franksville	Winona Production Services, Inc.	July 1, 2008	700,000	22	14	100,000
Sturtevant	Leman USA Inc.	September 1, 2008	2,100,000	16	0	60,000
Oshkosh	4imprint	September 1, 2008	5,500,000	107	0	460,000
Madison	SAFC, Inc.	January 1, 2009	29,000,000	45	75	292,500
Ripon	Tracy Porter	January 1, 2009	3,734,037	40	0	173,000
Hartland	Batteries Plus	January 1, 2009	1,895,548	15	201	684,000
Hortonville	Piping Systems LLC	January 1, 2009	4,400,000	39	37	222,500
		Total	$3,269,777,397	30,046	69,921	$205,843,581

* Environmental remediation zones

** 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.

† The $68,540,000 is total investment in the Direct Supply zones. Direct Supply can begin earning the second $3,000,000 tax credit allocation after the first 500 new positions have been created.

‡ The $80,000,000 is total investment in the Northwestern Mutual zones. Northwestern Mutual can begin earning the second $3,000,000 tax credit allocation after the first 500 new positions have been created.