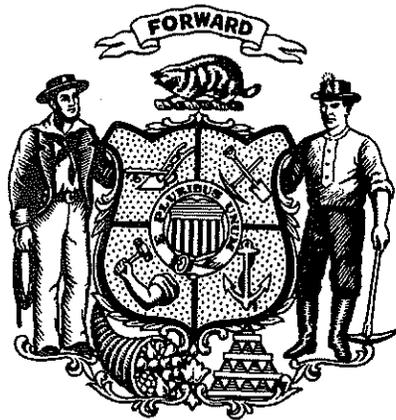


**STATE ECONOMIC DEVELOPMENT PROGRAMS
ADMINISTERED BY THE DEPARTMENT OF DEVELOPMENT**

Informational Paper #69



State of Wisconsin

Legislative Fiscal Bureau

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STATE ECONOMIC DEVELOPMENT PROGRAMS ADMINISTERED BY THE DEPARTMENT OF DEVELOPMENT

The Department of Development (DOD) is the state agency generally charged with the broad responsibility of fostering economic development in Wisconsin. The Department pursues this goal through advocacy, providing advice and information, coordinating and promoting economic development programs and activities in the state, and directly administering several programs and activities.

This paper provides information on the major economic development programs and activities of the Department. The Department's tourism promotion programs and activities are discussed in a separate informational paper, prepared by the Legislative Fiscal Bureau, entitled "State Tourism Promotion."

WISCONSIN DEVELOPMENT FUND

Overview of Fund. The Wisconsin development fund (WDF) consists of seven subprograms: (1) technology development grants and loans; (2) customized labor training grants and loans; (3) research grants and loans; (4) technology-based incubator grants and loans; (5) applied research in technology; (6) major economic development projects; and (7) recycling loans. Each of these subprograms is discussed below. The development fund is actually comprised of several distinct appropriations. In the 1989-91 biennium, a total of \$7,273,700 state, general purpose revenue (GPR) was appropriated for grant or loans not exceeding \$250,000 per project for the technology development, customized labor training, technology-based incubator, and research programs plus grants of any amount for applied research in technology. In addition, a total of \$24,770,900 GPR was separately appropriated for grants or loans exceeding \$250,000 per project for the technology development, customized labor training and research programs and for grants and loans for major economic development projects. Further, \$2,250,000 SEG was separately appropriated for recycling loans in 1990-91, the first year of funding for this program.

Award of Monies. A nine-member Development Finance Board, which is attached to DOD, awards WDF grants and loans to businesses. The Board consists of the Secretaries of DOD and Industry, Labor and Human Relations

(or designees), the Director of the VTAE Board (or designee), and a representative appointed by the Governor for a two-year term from each of the scientific, technical, labor, small business, minority business and financial communities in the state. Except for applied research in technology grants, the Board may make an award if it determines all of the following: (1) the proposed project serves a public purpose; (2) the project will retain or increase employment in the state; (3) the project is unlikely to occur without the grant or loan; (4) financing is unavailable elsewhere on reasonably equivalent terms; (5) recipients will contribute nonstate funds of at least 25% of the cost of the project (50% for customized labor training and technology-based incubator projects); (6) no portion of the award, except for technology-based incubator awards, will be used to pay overhead costs or to replace other funds; and (7) the project will not displace any workers in the state.

Besides the above qualifications, the Board must also consider all of the following before awarding any grants or loans, except for applied research in technology grants: (1) the extent to which the project will contribute to the economic growth of the state and the well-being of its residents; (2) whether the project will be located in an area with high unemployment or below average income; (3) the financial soundness of the business or nonprofit business development organization; and (4) the intention of the applicant to repay the award.

The Board is also required to have a policy regarding reimbursement of WDF grants and loans. The current policy affords the Board flexibility to consider appropriate reimbursement provisions on a case-by-case basis. Reimbursement agreements usually involving either full repayment of the award, plus interest, or receipt of a share of future profits from, or an interest in, a product or process. Reimbursements of customized labor training awards are not required by the Board. Reimbursements are credited to a program revenue appropriation and used to make additional awards under the WDF. As of December, 1990, approximately \$334,000 in reimbursements had been collected on WDF loans and deposited in a program revenue account from which future awards may be made. The appendix to this paper provides a listing of the awards approved by the Board in fiscal year 1989-90 under each component of the development fund.

Each of the WDF subprograms is separately reviewed in the sections which follow.

Technology Development Grants and Loans. This subprogram funds technical research by consortia of businesses and institutions of higher education to develop new, or improve existing, industrial products or processes. State funds awarded in a fiscal year may not exceed 40% of the combined cost of all technology development projects funded in that year. Prior to receiving an award, a consortium must enter into a written agreement regarding: (1) ownership of any patents or licenses resulting from the research; (2) dissemination of information relating to the research; and (3) responsibilities of persons conducting the research. Further, in each biennium the Development Finance Board may utilize up to 1% of the funds appropriated for WDF grants and loans not exceeding \$250,000 (this equalled \$72,737 in the 1989-91 biennium) for any of the following: (1) evaluations of proposed technical research projects; (2) grants to small businesses to prepare proposals for the federal small business innovative research program; and (3) evaluations of applications for proposed applied research in technology grants. If project research results in a marketable product, recipients must repay 1.5-5.25 times the amount of the award from three to 10 years after approval. Loans for unsuccessful research are forgiven.

The technology development grants and loans program was created in the 1983-85 biennial budget act. Since the program's inception through June 30, 1990, 53 technology development awards have been made for a total of \$7,637,300. In 1989-90, the Board made seven technology development awards totalling \$1,210,495.

Customized Labor Training Grants and Loans. This subprogram funds labor training programs which provide state residents job training in new technology and industrial skills to meet the staffing needs of businesses if the training is not available through existing federal, state or local resources. Training providers can include businesses using their own resources, other businesses, consultants, contractors, VTAE schools, or public or private secondary or post-secondary schools. A business requesting a grant or loan is required to guarantee that it will provide a job in Wisconsin to all persons successfully completing the training program. Further, the Board is prohibited from awarding funds financing any of the following costs incurred by a VTAE district or public secondary or post-secondary institution: (1) recruiting instructors before the training program begins; (2) developing program curricula; (3) recruiting, screening and counseling program trainees; (4) financial audit costs; and (5) renting instructional equipment and training facilities owned or leased by the district or institution unless rented only for the training program.

Recipients of customized labor training grants or loans must contribute at least 50% of project costs, excluding any of the five prohibited costs listed above. In addition, the contribution of a grant or loan recipient may consist of funding or in-kind contributions and up to 20% of the contribution may consist of funding received by a business under the federal Job Training Partnership Act.

The customized labor training program was created in the 1983-85 biennial budget act. From the program's inception through June 30, 1990, 91 training grants had been awarded for a total of \$38,837,900. No loans have been made under the program. In 1989-90, the Board made 35 customized labor training awards totalling \$20,800,000 to train 12,490 workers. The largest of the awards was one for \$6.8 million to General Motors to train 3,300 workers.

Research Grants and Loans. This subprogram makes awards to small businesses for research having a potential commercial application. Under the program, a small business is defined as a for-profit business with 250 or fewer employes, including employes of any subsidiary or affiliated organization. The total amount of research grants and loans awarded by the Board may not exceed \$300,000 in any fiscal year. Research grants and loans are used to provide financing to firms participating in the federal small business innovative research (SBIR) program under which grants are awarded to small businesses to perform innovative and advanced research. These awards help participants in the federal program bridge the typical six- to 12-month funding gap between program phases. The program was created in 1987 Act 399. Since the program's inception through June 30, 1990, the Board has made three awards under this component of the WDF totalling \$83,374.

Technology-Based Incubator Grants and Loans. This subprogram provides awards to nonprofit business development organizations (housing and community development authorities, redevelopment corporations and authorities, community development corporations or any nonprofit organization whose primary purpose is to promote economic development in a particular area or region in Wisconsin and whose governing body is composed, in part, of representatives of the business community) to assist in the establishment of technology-based incubators. A technology-based incubator is a facility that provides a new or expanding technically-oriented business with office and laboratory space, shared clerical and other support services, and managerial and technological assistance.

Grants not exceeding \$5,000 can be awarded for feasibility studies of the need for, and the initial design of, a technology-based incubator in a particular region of the state. In addition, grants and loans not exceeding \$250,000 can be awarded for the initial development and operation of a proposed technology-based incubator, including equipment purchases, building acquisition and rehabilitation, and staff costs. In making awards, however, the Board must first consider all of the following: (1) qualifications of the proposed incubator's management and staff; (2) the quality and amount of managerial and technical assistance that would be provided to businesses using the incubator; (3) support and involvement of local businesses and the local financial community; (4) the cost-effectiveness of the incubator; (5) the effect of the incubator on the community and local economy; (6) the incubator's effect in facilitating the transfer of technologies developed in basic and applied research programs of higher educational institutions to businesses for commercialization; and (7) the financial viability of the proposed incubator. The Department is required to provide ongoing assistance to technology-based incubators in the state, including resource and educational materials, seminars and other items. The program was first created in the 1989-91 biennial budget act. In 1989-90, no technology-based incubator awards were made.

Applied Research in Technology Grants. This subprogram makes awards to higher education institutions to support applied research (research intended to develop processes or products that may have a commercial application) in technology by eligible researchers (persons conducting research and associated with an institution of higher education). The Board may award a grant if it determines all of the following: (1) the research has long-term commercial potential; (2) the research is scientifically sound and likely to result in successful commercial applications; (3) the research potentially will benefit the economy and residents of the state; (4) there is either potential or evidence for support of the proposed research from state businesses; (5) there is potential for receiving additional funds from other sources to support the research; (6) the qualifications and experience of the researcher and research team are sufficient to perform the proposed research; (7) the project is not likely to occur without the grant; and (8) grant funds will not be used to pay overhead costs or to replace funds from any other source.

Under the subprogram, grants of up to \$25,000 may be awarded to fund the following activities of eligible researchers: (1) organization of a research team to conduct applied research in technology; (2) preparation of a plan providing the details of a proposal for applied research in technology; (3)

assessment of support of businesses in Wisconsin of the proposed research; and (4) such other activities as determined appropriate by the Board. In addition, grants of up to \$150,000 may be awarded to higher educational institutions to support applied research in technology if an eligible researcher submits a plan to the Board providing details for the proposed research. In these cases, WDF grants can be used to allow the researcher to do any of the following: (1) conduct applied research in technology; (2) form an association with the institution of higher education or a business (or both) to examine or discover potential commercial applications of the research; (3) defray costs associated with applying for other funding to support the research; and (4) other activities determined appropriate by the Board. This program was created in the 1989-91 biennial budget act. As of June 30, 1990, no applied research in technology grants had been made.

Major Economic Development Projects. This subprogram is intended to fund projects considered by the Board as major and not eligible for funds under the other WDF components. The statutory definition of a major project is a project that is characterized by any of the following: (1) is necessary to retain or increase a significant number of jobs in a county, city, town or village; (2) will lead to significant capital investment by a business; or (3) will make a significant contribution to the state's economy. The Board must consider all of the following regarding a project before making an award: (1) the number of jobs expected to be created or retained; (2) the capital investment that will be made; (3) the value of expenditures required for local infrastructure due to the project; and (4) the effects of the project upon the political subdivisions within which it will be located. The Board may also consider the effects of projects upon jobs and upon transportation, school and law enforcement services and facilities. The major economic development program was added to the development fund in the 1987-89 biennial budget. Since the inception of the program through June 30, 1990, 19 major economic development awards have been made totalling \$9,463,100. In 1989-90, the Board funded seven major economic development projects totalling \$3,600,000.

Recycling Loans. This subprogram was created in 1989 Wisconsin Act 335. Under the program, the Board may award a loan, not exceeding \$750,000, to a new or expanding business for production, or equipment necessary for production, of a product made from one or more materials recovered from postconsumer waste, or for the establishment or expansion of a diaper service. In order to make an award under this program, the Board must determine that the production to be funded is consistent with priorities set out in the statutes for the development of markets for materials derived from

post-consumer waste. Post-consumer waste is defined as any solid waste except that which is generated in the production of goods, hazardous waste, waste from the construction and demolition of structures, scrap automobiles, or high-volume industrial waste. A business may use the proceeds of the loan for capital expenses or working capital expenses. No recycling loans had been made as of June 30, 1990.

SMALL CITIES COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The Department administers the federal small cities community development block grant (CDBG) program for the state. Under this program, federal funds are provided to municipalities for housing rehabilitation, public facilities improvements and economic development. Eligible applicants for small cities CDBG funds include most cities, villages and towns with populations under 50,000 and all counties except Milwaukee County. Municipalities ineligible for program funding are termed "entitlement municipalities" (generally, cities with populations of at least 50,000 and urban counties) and are eligible to receive CDBG funds directly from the federal government through the block grant entitlement program. In addition to Milwaukee County, entitlement municipalities are the cities of Appleton/Oshkosh, Eau Claire/Chippewa Falls, Green Bay, Janesville/Beloit, Kenosha, La Crosse, Madison, Milwaukee, Racine, Sheboygan, Superior, Waukesha and Wausau.

Table I indicates the total amount of small cities CDBG funding received by Wisconsin from 1985 through 1990 and the amounts allocated by DOD in each year for housing, public facilities, economic development and program administration. Wisconsin has received about \$22.0 million annually in small cities CDBG funding in recent years.

TABLE I**Small Cities Community Development Block
Grant Funding Allocations**

<u>Calendar Year</u>	<u>Housing</u>	<u>Public Facilities</u>	<u>Economic Development</u>	<u>DOD Program Administration</u>	<u>Total</u>
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

Note: These figures represent the Department's allocation of each year's funding, but actual expenditures in a year may differ because of funding carryovers and other reasons.

By administrative rule, the Department may set aside between 23% and 53% of each annual allotment of small cities CDBG funds for economic development purposes, with the remaining funds to be used for housing rehabilitation and public facilities improvements. In recent years, exclusive of administrative costs, the Department chose to allocate 50% of its funds for economic development and 50% for housing and public facilities. However, DOD allocated the maximum of 53% for economic development in 1990 and has indicated that it may do so again in 1991. Federal guidelines allow the state to retain up to 2.5% of each annual award for state administrative costs associated with the program.

Economic development awards from CDBG funds are made on a continuous basis during the year. Funds are granted to local governments which provide loans to companies to supplement other financing. The majority of economic development projects involve loans to business for: (1) acquisition of land, buildings, and fixed equipment; (2) construction, expansion, and remodeling; (3) working capital for inventory and direct labor; and (4) buyouts by purchase of assets or stock. Economic development funds may not be used for

refinancing, rolling stock, and soft costs such as design, promotional activities, and legal fees in amounts larger than usual and customary costs necessary to perform the activities listed above. Funds may not be awarded for projects which provide a business an unreasonable competitive advantage over other state businesses in the same industry. Providing assistance at market rates or at rates to enable the business to perform at industry averages is not considered providing an unreasonable competitive advantage. In addition, funds may not support projects involving relocation of a business from one municipality to another municipality in the state if relocation would result in worker displacement unless DOD determines that waiving this restriction would be in the state's best interest. No business may receive economic development awards totalling more than \$750,000 and no community may receive more than \$1.5 million in a calendar year.

For an economic development application to be funded, certain minimum requirements must be met by the business and municipality. These requirements include: (1) having a community development plan; (2) making at least 60% of jobs created and retained by a project available to low- and moderate-income persons; (3) leveraging private funds at least dollar-for-dollar with CDBG funds; (4) not exceeding expenditure of \$20,000 in CDBG funds per job created or retained; (5) demonstrating that the requested assistance is required to enable the business to be competitive within its industry and that the project is not eligible for financing from any other source on reasonably equivalent terms; (6) demonstrating that the business is viable and has the economic ability to repay the funds; and (7) a minimum equity investment for a project which DOD may or may not require.

For the purpose of establishing an economic development revolving loan fund, applicants may retain a certain amount of program income (loan repayments from businesses) from grants awarded after January 1, 1987. The maximum amount that may be retained ranges from \$100,000 for applicants with populations of 1,000 or less to \$750,000 for applicants with populations of 10,000 or more. All program income not retained by applicants is returned to DOD to make additional economic development awards.

Funds allocated for housing and public facilities projects are granted annually on a competitive basis by awarding points to each application according to criteria enumerated in the administrative rules. The following criteria are among those considered when making housing and public facilities grants: (1) distress indicators such as percentage of households in need of housing assistance, percentage of persons in poverty, per capita income, and unemployment rate; (2) the housing or public facilities strategy of the

applicant; (3) whether benefits from proposed activities will be directed toward low- and moderate-income persons when compared to other applications; (4) the amount of other funds to be combined with the requested funds; and (5) the applicant's equal opportunity position in terms of percentage of contracts with minority businesses and adoption of a fair housing ordinance. An applicant may receive funding for housing and public facilities in the same year. Up to \$750,000 may be requested in each program category. However, an applicant may not receive more than \$1 million, with no more than \$750,000 provided under any one category.

Housing rehabilitation awards are granted by the state to municipalities which provide low interest rate loans to conduct rehabilitation. Under a typical housing rehabilitation project, a borrower obtains a portion of the required funds conventionally and the remainder at the lower, block grant rate through the community. The block grant loan is deferred and no interest accumulates until the conventional loan is fully paid. In other cases, especially when the program is used to renovate owner-occupied housing of the elderly, deferred payment loans are provided and are not required to be repaid until the home changes owners. In the case of rental property rehabilitation, the landlord must agree to rent all of the rehabilitated units to low- and moderate-income persons for at least five years. The average cost per rehabilitated housing unit (all funds) is approximately \$9,000.

Public facilities projects must correct deficiencies in public facilities which affect public health, safety, or another essential need. Common public facilities projects include curb and gutter work, improvements to sewer or water lines, first time sewer service, new water towers and wells, and service centers such as those for elderly and/or handicapped persons. Projects serving entire communities, such as service centers and water towers, are funded less often because more than 50% of the funds must be proposed for uses which would directly benefit low-to-moderate-income persons.

EMPLOYE OWNERSHIP ASSISTANCE LOAN PROGRAM

The Department operates an employe ownership assistance loan program under the guidance of a four-member Employe Ownership Board. The Board members are the Secretary of DOD, the Director of the Small Business Development Center of the University of Wisconsin-Extension, a representative from the labor community and another member appointed by the Governor. The

Board approves loans to groups formed by, or on behalf of, current or former employes of a business which has closed in the past year or has experienced substantial layoffs. Loans are provided for the purpose of financing feasibility studies of employe buy-outs of businesses, including professional services to implement the studies. The program is funded at a level of \$100,000 GPR annually in the 1989-91 biennium. In fiscal year 1989-90, no loans were made. Since the inception of the program in 1985, six loans have been made for a total of \$150,000.

Before approving any loan, the Board must consider all of the following: (1) the number of affected employes; (2) the group's management capability; (3) the economic impact of the closing or layoff; and (4) a preliminary assessment of the viability of the business as employe-owned. Any feasibility study of an existing business must include information regarding the following: (1) the financial condition of the business; (2) the number and type of jobs to be created or retained; (3) the production costs of the business; (4) the market value and demand for any product produced by the business; (5) the reasons for the closing or considered closing of the business; (6) the appraised fair market value of the assets of the business; (7) a projected business plan of the proposed employe-owned business; and (8) a plan to implement the feasibility study if it concludes that employe ownership is feasible.

The maximum employe ownership assistance loan amount is \$35,000 unless the Joint Committee on Finance approves a loan of a larger amount. A group must provide matching funds for at least 25% of the loan, but the Board may waive this requirement if it determines that the group is subject to extreme financial hardship. If a business is purchased or improved by a loan recipient, the group must repay the loan, with interest, in a lump sum at the later of the closing of the purchase of the business or one year after release of the loan. If a business is not purchased, the group must submit a report concerning the feasibility of repaying the loan. Repayments are used for additional employe ownership loans.

COMMUNITY-BASED ECONOMIC DEVELOPMENT PROGRAMS

Two community-based economic development programs were created in the 1989-91 budget. The programs, grants to community-based organizations and business incubator grants, were funded at \$711,200 GPR in 1989-90 and \$885,600 GPR in 1990-91.

Grants to Community-Based Organizations. Under this program, DOD may make grants to community-based organizations to: (1) promote development of small businesses (businesses employing 25 or fewer persons) on a local level in distressed areas; and (2) provide assistance to businesses or entrepreneurs in distressed areas if DOD determines that the entrepreneur or business will provide jobs. Funds to promote small business development may be used to aid in planning economic and industrial development projects in distressed areas, collect and disseminate economic development information, provide training and seminars, and recruit small businesses to the area. Funds to provide assistance to businesses or entrepreneurs may be used for management services, financial planning, feasibility studies, assistance with preparing loan applications and assistance in reviewing in-house operating procedures. The maximum grant for any project is \$30,000. Forty percent of the total amount appropriated in each year (\$354,200 GPR in 1990-91) is reserved for the grants to community-based organizations program. In 1989-90, 13 grants were made totalling \$284,500.

Under this program, a distressed area is defined as an area that fulfills at least two of the following requirements: (1) the unemployment rate in the area is at least 150% of the statewide average; (2) at least 40% of the persons residing in the area are members of households with an income level at or below 80% of the statewide or county median income, whichever is greater; (3) the area is in a location that qualifies for federal urban development action grants; (4) the assessed value of real property in the area in the most recent assessment is less than the assessed value of that property in the assessment two years prior to the most recent one; (5) the percentage of households receiving AFDC in the area is significantly higher than the statewide percentage of households receiving AFDC; and (6) in the 18 months immediately preceding the application, at least 5% of the members of the workforce of the city, village or town in which the applicant is located were permanently laid off by their employer.

Business Incubator Grant Programs. The Department may make grants to municipalities and community-based organizations to support business incubators. Funds may be provided for: (1) grants of up to \$30,000 per year to support existing business incubators; (2) grants of up to \$25,000 to provide technical assistance in the process of starting business incubators; and (3) grants of up to \$100,000 per year to fund construction, rehabilitation or other development of business incubators. In addition, for existing business incubators, no one business incubator may be funded for more than five years; no more than one grant may be provided to a particular municipality or community-based organization for technical assistance; and

grants for development of business incubators may not fund the start-up of a particular business incubator in more than two years. The Department may not make a business incubator grant unless all of the following apply: (1) funding will be used only in distressed areas; (2) the total amount of grants to a municipality or community-based organization does not exceed 50% of the total cost of the project for which the grants are made (unless DOD determines that the area demonstrates extreme financial hardship); (3) DOD considers the potential for an incubator to help start businesses; and (4) the municipality or organization receiving a grant provides a written policy relating to the way in which stable, maturing businesses would establish themselves outside the business incubator within a reasonable period of time. The proceeds of a grant may be used to fund salaries, fringe benefits and other personnel, administrative and operating costs of the municipality, community-based organization or incubator that are directly related to starting or operating an incubator. Sixty percent of the amount in the appropriation (\$531,400 GPR in 1990-91) is reserved for business incubator grants. In 1989-90, 12 business incubator grants totalling \$426,700 were made.

A business incubator is defined as a person who operates an organization designed to encourage growth of new businesses where at least two of the following apply: (1) the organization rents space at a rate lower than the market rate in the community; (2) the organization provides shared business services; (3) the organization makes available management and technical assistance; and (4) businesses using the organization may obtain financial capital through a direct relationship with at least one financial institution. In addition, the definition of distressed area for the grants to community-based organizational program also applies to this program.

INTERNATIONAL TRADE AND INVESTMENT PROMOTION

Through its Bureau of International Development, DOD is involved in several programs and activities designed to increase exports of Wisconsin products and investment in Wisconsin by foreign firms. The Bureau's major international trade activities involve the operation of foreign trade offices in West Germany, Hong Kong, Japan and South Korea, and a pilot export development loan program. The Bureau also provides export counseling and reverse investment advice to state firms; publishes a bimonthly magazine, an international trade handbook and a biennial directory; organizes trade and investment missions abroad (most led by the Governor); participates in overseas trade shows and fairs; and administers the sister state/sister city

and honorary commercial attache programs. The Bureau is authorized 10.0 positions and has a 1990-91 budget of \$2,044,100 GPR (including the amounts listed below).

Foreign Trade Offices. The trade office in Frankfurt, West Germany opened in September, 1984, and is staffed under contract by three professionals and a secretary. Two professionals focus on export promotion and the other on reverse investment. As is the case with the other trade offices, the staff are not state employees, rather the director is under contract with the state and hires other necessary staff. This office's area of responsibility includes Europe and the Middle East. However, efforts tend to be concentrated in West Germany, France and Britain and, to a lesser extent, Italy, Belgium, Switzerland and the Scandinavian countries. In addition, DOD indicates that the office's efforts in Eastern Europe may increase significantly in the future. The 1990-91 budget for the German trade office is \$506,100 GPR.

The Hong Kong trade office opened in May, 1986, and is staffed under contract by two professionals plus support personnel. One professional focuses on activities relating to manufacturing, with the other professional concentrating on agribusiness. The Hong Kong office's area of responsibility includes the entire Asia-Pacific area (except Japan and South Korea), focusing on Hong Kong, Singapore, China, Taiwan and Thailand. The 1990-91 budget for the Hong Kong trade office is \$302,700 GPR.

The trade office in Tokyo, Japan, opened in January, 1989. The Tokyo office is staffed under contract by two professionals plus support staff. One professional has expertise in export activities and the other in reverse investment. The 1990-91 budget for the Tokyo office is \$637,100 GPR.

The Seoul, South Korea, office also opened in January, 1989, and is staffed half-time by a person who also operates a foreign trade consulting firm. The office receives support on an as-needed basis from other members of the firm. The 1990-91 budget for the Seoul office is \$73,300 GPR.

Pilot Export Development Loan Program. The Department was appropriated \$150,000 GPR annually in the 1989-91 budget for a new pilot export development loan program. To qualify for a loan, a business must operate in Wisconsin and manufacture a product or perform a service with export potential. In addition, the business, together with all its affiliates and subsidiaries and its parent company, must have had gross annual sales of \$25

million or less in the calendar year preceding the year in which it applies for an export development loan.

Export loans may be made for any of the following purposes: (1) engaging in foreign market research; (2) producing foreign language literature and foreign advertising; (3) obtaining technical information about exporting; (4) paying most legal costs incurred in exporting a product or service; (5) locating and establishing sales agents in foreign countries; (6) hiring consultants to help prepare detailed export development plans; and (7) paying costs associated with developing new product lines or making product modifications to meet the demands of a foreign market. To receive a loan, applicants must demonstrate the following: (1) the product or service to be exported has potential for high sales in specific foreign markets; and (2) the business will maintain its Wisconsin operations for at least five years after completing all activities funded by the loan. Further, DOD must give preference to businesses that have not exported any product or service to any foreign market before the export activity for which funding is requested.

Loans are limited to a maximum of \$30,000 and a loan recipient is required to match at least 50% of the loan amount. The maximum loan term is three years and the interest rate is set at the prime rate plus two percent. In addition, loan proceeds may not be used to cover certain expenses including product manufacturing or distribution costs, preapplication costs, entertainment costs, employe compensation, capital expenses, and costs associated with establishing a foreign business office or attending foreign trade shows or trade missions. The Department may make a loan only if it determines that: (1) the activity for which the loan is requested will retain or increase employment in Wisconsin; (2) the activity is unlikely to occur without the loan; and (3) financing is unavailable from any other source on reasonably equivalent terms.

An Export Development Loan Advisory Committee assists and advises DOD on awarding loans. The Committee consists of seven members appointed by the Secretary of DOD for staggered, three-year terms. Each member must be experienced in export trade or management, with at least one member from each of the export, financial and legal professions.

In applying for a loan, a business is required to submit an application to DOD containing certain information, including: (1) an export market development plan providing a description of the business' foreign market development strategy for the two years following application; (2) a budget of the activities of the business relating to export and a description of the

proposed disbursement of loan funds; (3) a description of potential benefits to the state which are likely to result from the loan; and (4) an assurance that at least 50% of the export value of the product or service will be produced in Wisconsin.

A business must repay loan principal and interest or loan principal and interest and a royalty. Repayments are used by DOD to fund additional export development loans. The Department can accelerate repayment terms if a business terminates its state operations before having fully repaid a loan. A loan recipient also is required to repay any portion of a loan, plus interest, not expended within two years after its receipt. In fiscal year 1989-90, five loans totalling \$149,600 were made. The Department's authority to make export development loans will sunset May 1, 1991.

Commercial Attache Program. Under this program, volunteers living abroad and familiar with Wisconsin devote time to promoting business in Wisconsin. Their activities may include providing state businesses information on potential markets in their country, describing local business customs, and arranging meetings with business or government representatives in the country. At present, 13 commercial attaches are providing assistance to Wisconsin businesses. No funding is associated with this program.

PERMIT INFORMATION CENTER

The Department's Permit Information Center assists persons who request information on the process of obtaining state permits which are required for a particular business activity. The Center is staffed by 2.5 positions. Since the opening of the Permit Center in January, 1984, through December 31, 1989, the Center handled 18,657 requests for information or other assistance, including 4,265 requests in 1989. The services of the Center are intended to be advisory, informational and facilitative. The Center assists businesses and individuals in four ways--providing information, expediting the permit process, monitoring the status of permit applications, and providing referrals.

The Center serves as a state clearinghouse for information on state permits. It has a computerized inventory of permits and related forms required of state businesses. To avoid duplicating activities of state agencies, the Center focuses on initiating communication between the involved parties (permit applicant and state agency personnel); it does not issue any permits or attempt to interpret regulations of state agencies.

The Center endeavors to expedite the process of permit application, review, and issuance. When requested by an applicant, the Center attempts to resolve any misunderstandings between the applicant and the relevant state agency. If it is unable to do so, the Center is authorized to request assistance from the Secretary of DOD and the head of the appropriate agency and, if necessary, the Governor.

Upon request by the Center or a likely permit applicant, a state agency must provide the likely applicant an opportunity to participate in a preapplication meeting with its staff. With regard to such meetings, an agency must: (1) conduct them informally and publicize their availability to permit seekers; (2) identify all permits that it requires for a business activity, describe the steps and time involved for each step in the permit process, and identify potential problems in the process; and (3) invite participation in the meetings by Center staff.

The remaining activities of the Center include permit status monitoring and permit referrals. The Center monitors both the status of permits a business applies for to ensure that they are granted in a timely manner and the agreements reached at preapplication meetings. For routine cases, where the Center deems its involvement would be unnecessary, it refers cases to other agencies without taking further action.

MAIN STREET PROGRAM

The main street program is administered by DOD with assistance from the 11-member Council on Main Street Programs. The program is funded at a level of \$330,700 GPR annually in the 1989-91 biennium to support 1.5 positions and a contract between the Department and the National Main Street Center (an organization created by the National Trust for Historic Preservation). The purpose of the program is to assist municipalities in planning, managing and implementing programs to revitalize historically significant business areas through adaptive use of historic structures. The Department is required to contract with the National Main Street Center for business area revitalization services and to coordinate state and local participation in programs offered by the Center.

The Department was initially required to select 15 municipalities to participate in a main street pilot program. The pilot program participants selected had to represent various geographical regions and populations of the state. Criteria relating to the following issues were required to be used

in participant selection: (1) private and public sector interest in and commitment to revitalizing a business area; (2) potential private sector investment in a business area; (3) local organizational and financial commitment to employ a pilot program manager for at least three years; (4) local assistance in paying for a design consultant recommended by the Council on Main Street Programs; and (5) local commitment to assist in training persons to direct activities related to business areas in municipalities not participating in the pilot program.

All of the pilot programs have now been selected. The municipalities selected in 1988 were Beloit, Eau Claire, Ripon, River Falls and Sheboygan Falls; the municipalities selected in 1989 were Antigo, Chippewa Falls, Marinette, Stoughton and Viroqua; and the municipalities selected in 1990 are Ashland, DePere, Marshfield, Shawano and Sparta. Each municipality's program is to last for five years.

The Department also is required to: (1) provide training, technical assistance and information on the revitalization of business areas to municipalities not participating in the program; (2) coordinate activities with those of other state and local private and public entities which provide similar services to municipalities; and (3) expand the program after three years to include other municipalities demonstrating a commitment to participate in it.

CONSULTING ACTIVITIES

The Department is also responsible for providing business and community development consulting services to businesses and local governments. The agency has eight business development consultants who advise and assist businesses regarding business expansions, establishment of businesses, management assistance and other issues. Each consultant is assigned to a region of the state in an effort to equally divide manufacturing firms among them. In addition, each consultant has expertise in a specific area of business development such as management/employee buy outs, community preparedness (as it relates to plant closings), manufacturing systems and labor/management issues. As a result, consultants occasionally handle situations outside their territory that are in their area of expertise. Consultants regularly visit the largest employers in their areas as well as businesses considered troubled because of declining sales, declining employment or other factors.

In addition to the business development consultants, the Department has a small business ombudsman. The ombudsman specializes in providing advice regarding financing for new entrepreneurs. The ombudsman also advises and assists small businesses with problems and concerns unique to the small business community.

The Department also employs four community specialists who work with businesses which are smaller and less traditional than those with which the business development consultants interact. Each community specialist concentrates on one of these areas: (1) minority businesses; (2) women's businesses; (3) community preparedness; and (4) low-income groups, community-based organizations and other similar groups.

MINORITY BUSINESS ASSISTANCE

The Department has a Bureau of Minority Business Development charged with generating and fostering the creation and growth of minority-owned businesses in the state. For purposes of the Bureau's activities, minority group members include the following: (1) Blacks; (2) Hispanics; (3) American Indians; (4) Eskimos; (5) Aleuts; (6) native Hawaiians; (7) Asian-Indians; and (8) persons of Asian-Pacific origin. A minority business is defined as a sole proprietorship, partnership, joint venture or corporation that is: (1) at least 51% owned, controlled and actively managed by minority group members who are United States citizens or persons lawfully admitted to the country for permanent residence; and (2) currently performing a useful business function.

The Bureau certifies the eligibility of minority businesses for the purposes of doing business with the state and annually publishes a directory of certified minority businesses of which there are currently approximately 425. The state may accept a qualified bid on a state contract from a certified minority business if the bid is within 5% of the apparent low bid. In addition, the state must attempt to ensure that 5% of the total amount expended for state purchases in each fiscal year is paid to minority businesses.

Business Development Initiative Program. The Bureau administers the business development initiative program which provides technical assistance and grants for technical assistance to individuals, small businesses and nonprofit organizations which are likely to create employment opportunities for persons with severe disabilities by starting or expanding for-profit

businesses. Technical assistance grants are limited to a maximum of \$15,000. Grants may also be made to the Wisconsin Community Capital Corporation under the auspices of the Wisconsin Housing and Economic Development Authority for use by the corporation in making equity investments in for-profit businesses if such businesses received technical assistance or a technical assistance grant from DOD and are or would be at least 51% owned by a handicapped person or a nonprofit organization that provides services to such persons. The maximum equity investment in a single business is \$25,000. In 1990-91, \$150,000 GPR is available for technical assistance grants and equity investments.

American Indian Economic Liaison Program. The Bureau also administers the American Indian economic liaison program under which assistance is provided to the state's Indian community for targeted programs. A targeted program is any program or form of assistance available to an Indian, an Indian business or an Indian tribe that is administered by a state agency and relates to economic or community development, increasing employment among Indians, minority business certification or other programs or assistance considered relevant to Indians. Among other things, DOD must: (1) designate a person in DOD to serve as a liaison between state agencies administering targeted programs and Indians, Indian businesses and Indian tribes interested in them; (2) provide information about economic development and targeted programs to Indians; (3) provide, upon request, assistance to Indians, Indian businesses and tribal governing bodies to promote economic development through use of targeted programs; (4) perform demographic and economic analyses of the state Indian population to provide data for use in economic development and business recruitment on reservations; (5) provide to tribal governing bodies a directory identifying state employes who administer targeted programs; and (6) make an annual grant of \$33,500 to the Great Lakes Inter-tribal Council to partially fund in the Council a liaison between Indians, Indian businesses and Indian tribes interested in targeted programs and the state agencies that administer them.

Technical Assistance to Minority Business. The Bureau also provides technical assistance to minority business owners and entrepreneurs in the areas of finance and marketing. Further, the Bureau is involved in several minority business outreach efforts such as coordinating an annual marketplace which attempts to facilitate meetings between certified minority businesses and purchasing agents from the public and private sectors, providing technical assistance and business information through seminars, and publishing a quarterly newsletter.

Minority Business Grants and Loans. This program was created in the 1989-91 budget with funding of \$850,000 GPR in 1989-90 and \$750,000 GPR in 1990-91 provided in a separate, biennial appropriation. Of the total funding, \$600,000 was earmarked for two specific business incubators in the City of Milwaukee that provide services primarily to minority group members or minority businesses. The remaining \$1,000,000 may be awarded by DOD for minority business early planning grants or by the Minority Business Development Board for minority business development grants and loans. The Board consists of five persons appointed by the Governor.

Grants or loans may not be awarded unless DOD or the Board determines all of the following: (1) the project serves a public purpose; (2) the project will retain or increase employment in Wisconsin; (3) the project is not likely to occur without the grant or loan; (4) financing is unavailable from any other source on reasonably equivalent terms; (5) the recipient of the grant or loan will contribute, from nonstate funds, 50% of the amount of an early planning grant or 25% of the cost of a development project; (6) grant or loan funds will not be used to replace funds from any other source; (7) the project will not displace workers in the state; (8) the project has sufficient potential to be profitable; and (9) if a development project, state funds will not be used to refinance existing debt.

In addition, DOD or the Board is required to consider all of the following before awarding a grant or loan: (1) the extent to which the project will retain or increase employment in Wisconsin, benefit minority group members, and attract capital into locations where unemployment exceeds the statewide average or per capita income is below the statewide average; (2) if a development project, whether it will be located in an area of high unemployment or below average income or a development zone; (3) the likelihood that the project will be successful; and (4) if a development project, the financial soundness of the minority business involved and the commitment of the recipient to repay the state funds.

Minority business early planning grants may be used to fund early planning projects (those projects in the preliminary stages of considering and planning the start-up of a business that will be a minority business) and may be awarded only to individuals who are minority group members and state residents. In addition, the Department may not award a grant unless the applicant submits an application that contains all of the following: (1) potential locations and ownership structure of the new minority business; (2) the product or services provided by the business, the market for it and competition within that market; (3) any competitive advantages of the

business; (4) the applicant's estimate of the gross revenue of, and the profit that would be generated by, the minority business over a specified period; (5) the process of manufacturing the product or providing the services of the business; (6) the estimated number of jobs to be created by the business; (7) the applicant's experience and training and estimate of the capital required to complete the project; and (8) potential sources of financing for the project. Grant recipients may use the funds to perform a business feasibility study and prepare marketing and business plans. The Department may not award more than \$50,000 for minority business early planning grants in a biennium and not more than \$5,000 in a biennium to any one person or for any one project. In fiscal year 1989-90, no minority business early planning grants were made.

Minority business development grants or loans may be awarded by the Board to eligible minority group members who are state residents or to minority businesses to fund eligible project development costs. These are costs that, in accordance with sound business or financial practices, are appropriately incurred in connection with a development projects. In addition, the Board may award a grant or loan to a local development corporation. Such corporations include the elected governing body of, or a business created by, an Indian tribe or band, or a nonprofit corporation at least 51% controlled and managed by minority group members which has experience in economic development issues as they relate to minorities and which operates within specific boundaries and promotes economic development in that area. Awards may be granted by the Board if all of the following apply: (1) the corporation agrees to use the funds for grants or loans to eligible recipients to fund eligible project development costs, and (2) the Board determines that the general criteria with respect to projects to be funded by local development corporations have been met. The Board or a corporation may not award more than \$100,000 in a biennium to any one person or for any one project. In fiscal year 1989-90, no minority business development grants or loans were awarded.

RURAL ECONOMIC DEVELOPMENT PROGRAM

A rural economic development program, funded at \$300,000 GPR annually, was created in the 1989-91 biennial budget. Under the program, grants and loans may be provided for professional services related to starting or expanding a business and for management assistance continuing after the start-up or expansion.

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

The Board may make a grant or loan to a business if all of the following conditions apply: (1) the business has fewer than 25 employes; (2) the business is located in a rural municipality (a city, village or town with 4,000 or fewer persons or located in a county with a population density less than 150 persons per square mile); and (3) the business is starting or expanding its operations. Awards may not exceed \$30,000. Further, before making an award, the Board must consider all of the following: (1) the extent to which the project will create jobs; (2) the financial needs of the municipality; (3) the number of jobs to be created in relation to the award amount; (4) the degree to which the new or expanded business operation will provide beneficial services to the municipality; (5) whether financing is available from other sources; and (6) whether the business could start or expand its operations without the grant or loan. In addition, the Board is required to: (1) determine terms and conditions of loans after considering the circumstances of the business; (2) act on applications within 90 days of their receipt; (3) refrain from limiting the time period during which applications for awards could be accepted; and (4) use loan payments for additional awards. As of December 31, 1990, no loans or grants had been made under the rural economic development loan program.

TECHNOLOGY-BASED ECONOMIC DEVELOPMENT

The Department was provided funding of \$75,800 GPR in 1989-90, and \$286,000 GPR in 1990-91, and authorized 5.0 GPR positions for technology-based economic development programs. These programs were created in the 1989-91 biennial budget.

The Department is required to do all of the following relating to technology-based economic development activities: (1) advocate within state government for the development and coordination of a state science and technology economic development policy; (2) advise the Governor and Legislature on policy initiatives involving science and technology issues

relating to economic development; (3) identify and encourage opportunities to improve the competitiveness of state businesses and accelerate market-driven innovation in the state through various types of technology transfer; (4) encourage the education of state residents, businesses and other organizations on the role of science and technology in society and the world economy and the opportunities and responsibilities created by the application of new technologies; (5) establish ties with institutions of higher learning, appropriate state and federal agencies, national laboratories, and industrial and other private sector associations and coordinate their activities as they relate to the Department's responsibilities under these programs; and (6) work with and use existing agencies and programs to ensure the execution of state technology-based economic development initiatives. The Department is authorized to contract with specialists outside the classified service, including teachers, professors and professionals on sabbatical leaves, to conduct or coordinate projects and programs associated with technology-based economic development.

The Department also is required to develop manufacturing modernization programs to assist manufacturing businesses located in Wisconsin in adopting readily available and reasonably standardized new manufacturing processes and techniques. Such programs must minimize duplication of assistance provided by suppliers of the processes and techniques, consultants, public and private educators and others who provide assistance to businesses. In addition, the Department must give preference to assisting businesses with fewer than 500 employees. The Department and its contractors may charge a reasonable fee for services provided to participating businesses. Of the total amounts provided for technology-based economic development programs, \$176,700 GPR in 1990-91 and three positions are allocated for manufacturing modernization programs.

In addition, DOD is required to promote the state's science and technology assets in cooperation with Forward Wisconsin and the Department of Agriculture, Trade and Consumer Protection. The Department must also establish a program to recognize: (1) entrepreneurs in Wisconsin who have established successful technically-oriented businesses; and (2) outstanding researchers in the state in basic and applied sciences. Of the total amounts provided for technology-based economic development programs, \$75,800 GPR in 1989-90, \$109,300 GPR in 1990-91 and two positions are budgeted for these promotional activities.

Further, DOD is required to establish and maintain an information clearinghouse on science and technology relating to the general functions of the agency in these areas, including the usefulness of science and technology

to the public, government and industry in increasing the competitiveness of the state's economy and enhancing the opportunity for joint ventures and more effective communication between the public and private sectors. The Department is required to sponsor conferences and workshops related to science and technology and assist in developing statewide information networks, including a network of businesses and persons who use, provide, develop or support technically oriented businesses.

The Governor's Science and Technology Council was created by Executive Order in January, 1990, partly in response to a statutory requirement that DOD monitor potential opportunities for federal and private sector funding of technology development and transfer programs. The Council issued a preliminary report on its activities in November, 1991, indicating that it had analyzed Wisconsin's strengths and weaknesses in the area of science and technology, inventoried existing science and technology programs in the state, identified federal science and technology initiatives which would benefit Wisconsin, and examined successful programs in other states. Four task forces were created by the Council to address issues relating to the following: (1) establishing a focal point for state, university and other technology development programs; (2) encouraging technology transfer between universities and business; (3) making widely known proven new manufacturing technologies; and (4) fostering continued growth in Wisconsin's biotechnology industry. The preliminary report contains the task forces' recommendations for action in each of these areas, as well as the Council's agenda for 1991.

In 1991, among the issues the Council is expected to focus on are the following: (1) identifying the state's principal industries and key emerging technologies; (2) examining existing programs for applied research and commercialization and identifying innovative resources to fill any gaps left by those programs; (3) surveying current initiatives for enhancing and maintaining science and technology in the state's educational system; (4) identifying ways to foster innovation and entrepreneurial activity; (5) examining the availability of capital for technology innovation and identifying options to increase its availability; and (6) examining the impact of tax incentives and state grant and loan programs on research and development. The Council's final report is to be issued on October 1, 1991.

DEVELOPMENT ZONES

1987 Wisconsin Act 328 created the development zone program in order to attract and retain businesses and to spur economic activity and the creation

of jobs in economically depressed areas of the state. Under the program, businesses and individuals doing business within a development zone designated by the Department are eligible to apply for state tax credits.

The creation of development zones involves several steps. First, a local governing body must nominate an area as a development zone by submitting an application to DOD. The Department evaluates the application to determine if the zone meets several criteria relating to economic hardship and the potential for revitalizing economic growth within the zone based on the local governing body's preliminary plans and stated objectives. Next, the Department reviews the zone's boundaries and adopts them, subject to the approval of the Joint Committee on Finance. Finally, the local governing body submits a development zone plan that provides specific information about current economic activity in the area of the proposed zone, how existing economic development programs will be used, how the local governing body plans to foster and support economic growth within the zone, current land use patterns and the effect of anticipated economic development on land use patterns in the area, the expected effect of the zone on employment, and other specifications. DOD evaluates the plan based on a review of the same criteria used for assessing applications, and upon approval of the plan designates the area a development zone.

To be designated a development zone, an area must be characterized by at least two of the following: (1) its unemployment rate is at least 150% of the statewide average for the 18 months preceding the application; (2) at least 40% of its residents are from households with income levels at or below 80% of the statewide median household income; (3) its most recent assessed value of real property is less than the assessed value of that property in the assessment two years before the most recent one; (4) it qualifies for federal urban development action grants; (5) its percentage of households receiving AFDC is significantly higher than the statewide percentage; and (6) in the 18 months preceding the application, at least 5% of the workforce of the city, village or town submitting the application was permanently laid off.

The Department is authorized to determine the number of development zones, up to a maximum of 12 zones. It must divide the number of development zones as evenly as possible between metropolitan and rural areas. In addition, at least one development zone must be entirely within the City of Milwaukee and at least two development zones must be at least partially within an Indian reservation.

The designation of an area as a development zone remains effective for seven years and may be extended for up to three, one-year periods. Once a zone is designated, DOD allocates it a portion of \$18,155,000 of state tax benefits which may be claimed by persons and businesses under the development zones investment, jobs, location, and sales tax credits and the expanded research credit for research conducted exclusively in a development zone. The Department must ensure that at least 50% of the tax benefits in each development zone (65% for development zones in the City of Milwaukee) is used for the development zones job credit.

The Department has several other duties with regard to the development zone program. It is responsible for certifying persons eligible to claim tax benefits, monitoring and evaluating the implementation of the program, applying for available federal assistance for the program, annually preparing and submitting a report to the Governor and Legislature on the results and effectiveness of the program, and providing technical assistance both to local governments in preparing applications and plans and to persons applying for tax benefits.

The first eight development zones, involving \$14.0 million in tax benefits, were designated in September, 1989. The zones are located in the Cities of Beloit, Manitowoc, Milwaukee, Racine, Sturgeon Bay and Superior; Iron County (the Cities of Hurley and Montreal and the Towns of Carey, Kimball, Mercer and Saxon); and the Stockbridge-Munsee tribal community. The Department estimates that four remaining development zones, involving \$4,155,000 of tax benefits, will be designated around March, 1991.

PUBLIC INFORMATION ACTIVITIES

To promote its programs and activities and other aspects of economic development in the state, DOD also has a Bureau of Public Information. The chief activities of the Bureau include: (1) managing the Department's economic development promotion account (budgeted at \$235,200 GPR in 1990-91); (2) producing departmental publications other than those related to tourism; and (3) conducting several miscellaneous activities intended to disseminate information about economic development generally (DOD activities specifically) to the public.

Table II indicates how the Department intends to expend its economic development promotion funds in 1990-91. As shown, these funds are used for several purposes, with 25% of the amount utilized for paid advertising. Some

paid advertising is done jointly either with the agency's Division of Tourism Development or Forward Wisconsin. The account is managed in an effort to inform as many people as possible about DOD, its programs and the advantages of establishing or expanding a business in Wisconsin.

TABLE II
ECONOMIC DEVELOPMENT PROMOTION ACCOUNT
Budgeted Activities
1990-91

<u>Category</u>	<u>Amount</u>	<u>%</u>
Sales Promotion (one-time major projects)	\$58,800	25.0%
Paid Advertising (magazines and newspapers)	58,800	25.0
Unpaid Publicity (joint projects and special events)	58,800	25.0
Direct Contact (fact sheets, program brochures and special publications)	47,000	20.0
Public Relations (display booths and photo/video services)	<u>11,800</u>	<u>5.0</u>
Total	\$235,200	100%

Publications produced by the Bureau range from booklets providing general information about Wisconsin and its advantages as a place to own and operate a business to brochures detailing specific economic development programs administered by DOD. Other information activities include issuing press releases, maintaining an inventory of available industrial sites and buildings, developing community profiles, and responding to state residents and others.

FORWARD WISCONSIN

Forward Wisconsin--the nonprofit organization created in 1984 to attract businesses to Wisconsin--is not an organizational part of DOD. However, its activities are discussed in this paper because: (1) the state provides GPR funding to Forward Wisconsin which is channelled through DOD; (2) both DOD and Forward Wisconsin are involved in promoting the state's economic development; and (3) the Secretary of DOD serves as Vice-Chairman of Forward

Wisconsin's Board of Directors. Since fiscal year 1984-85, Forward Wisconsin has received \$500,000 GPR annually from the state with the stipulation that the funds be matched at least dollar-for-dollar by private contributions. State funds may be used by Forward Wisconsin for advertising, marketing and promotional activities within the United States for 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 has eleven staff including a president, a vice president of economic development, four economic development consultants, and several support staff. Although the organization does some work concerning retention and expansion of existing state businesses, activities in this area are conducted primarily by DOD. Forward Wisconsin's focus is on advertising and marketing outside Wisconsin in an effort to convince expanding or relocating businesses to locate in Wisconsin. The organization is not involved in international economic development activities since this area of economic development is handled solely by the Department. To accomplish its mission, Forward Wisconsin focuses its activities on small and medium-sized businesses, with concentration on seven targeted industries where it believes its efforts are most likely to be successful. These industries are: (1) forest products; (2) biotechnology and medical technology; (3) auto suppliers and metal machining; (4) printing; (5) plastics; (6) administrative centers; and (7) federal prime contractors.

It is difficult to quantitatively measure the success of an economic development program since many factors may be included in the decision to relocate or expand a business in Wisconsin. However, Forward Wisconsin uses three measures to gauge the success of its efforts: number of prospects; number of leads; and jobs generated. "Prospects" are defined as out-of-state companies that have definite expansion or relocation plans and will consider Wisconsin. Leads are out-of-state companies that are experiencing strong growth but whose management is less certain about their short-term expansion plans. In its 1989-90 Annual Report, Forward Wisconsin indicates that a total of 155 new prospects, 139 new leads, and 1,913 new jobs were generated in conjunction with the organization's economic development efforts. Many of Forward Wisconsin's successful efforts in the state were accomplished jointly with local and regional economic development organizations, state utilities and/or the Department of Development.

APPENDIX I

WISCONSIN DEVELOPMENT FUND 1989-90 Awards

<u>Technology Development Projects</u>	<u>Amount</u>
Midwest Research Technologies (Milwaukee)	\$202,817
Valentin Technologies (Brookfield)	165,000
Seaman Nuclear Corporation (West Bend)	220,400
Titan Marine Corporation (West Bend)	161,760
Motor Energy Research and Development, Inc. (Dousman)	17,200
Rusto-Oleum Corporation (Pleasant Prairie)	250,000
Orbital Technologies, Inc. (Madison)	<u>193,318</u>
Subtotal	\$1,210,495
 <u>Customized Labor Training Projects</u>	
Perry Printing Company (Baraboo)	\$149,438
Rayovac Corporation (Fennimore)	213,000
Kohl's Department Stores (Menomonee Falls)	1,142,441
General Motors Corporation (Janesville)	6,775,914
Response Graphics (Green Bay)	250,000
Wisconsin Tissue (Menasha)	1,212,000
A.O. Smith Corporation (Milwaukee)	3,402,862
Monona Wire Corporation (Wauzeka)	567,000
S.A.G. Ltd. (Two Rivers)	150,000
John Deere Horicon Works (Horicon)	357,291
Trane Company (LaCrosse)	221,222
Ambrosia Chocolate Company (Milwaukee)	343,000
Rust-Oleum Corporation (Pleasant Prairie)	450,000
Zwicker Knitting Mills (Waupun)	234,739
A-C Equipment Service Corporation (West Allis)	242,758
Marine Travelift, Inc. (Sturgeon Bay)	90,216
The Mayline Company (Sheboygan)	249,380
Miller Electric Manufacturing (Appleton)	135,415
Appleton Mills (Appleton)	115,000
Supercomputer Systems, Inc. (Eau Claire)	20,675
Super Valu Stores, Inc. (Pleasant Prairie)	1,500,000
Calumet Diversified Meats (Kenosha County)	160,230
Illinois Tool Works, Inc. (Darlington)	35,000
NECO Hammond, Inc. (Baraboo)	192,782

APPENDIX I (continued)

**WISCONSIN DEVELOPMENT FUND
1989-90 Awards**

	<u>Amount</u>
<u>Customized Labor Training Projects, cont'd.</u>	
Kimberly Clark (Neenah)	\$346,275
DMV Ridgeview (LaCrosse)	107,500
HUSCO International, Inc. (Waukesha)	212,500
Lane Punch Corporation (New Berlin)	10,000
Northland Stainless, Inc. (Tomahawk)	115,000
Tecumseh Products, Inc. (Grafton)	74,250
Square D. Company (Milwaukee)	104,960
Lakeshore, Inc. (Rhinelanders)	250,000
Fiskars Manufacturing Corp. (Sauk City)	247,472
Funway Holidays Funjet (Milwaukee)	250,000
Barber-Colman Company (Darlington)	<u>249,000</u>
Subtotal	\$20,177,320
<u>Research Projects</u>	
Midwest Research Technologies (Milwaukee)	\$3,374
Prime Fiber (Appleton)	40,000
R.G. Brown (Highpoint)	<u>40,000</u>
Subtotal	\$83,374
<u>Major Economic Development Projects</u>	
Integrated Paper Services (Appleton)	\$500,000
Supercomputer Systems Inc. (Eau Claire)	1,500,000
Prime Fiber Corporation (Appleton)	500,000
Rust-Oleum Corporation (Pleasant Prairie)	300,000
P.A. Bergner and Co. (Milwaukee)	300,000
Fleet Mortgage Corporation (Milwaukee)	300,000
Kaytee Products, Inc. (Chilton)	<u>200,000</u>
Subtotal	\$3,600,000
TOTAL	\$25,071,189