

Commerce Economic Development Programs for Wisconsin Businesses

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This chapter provides a brief summary of economic development programs that provide financial assistance to Wisconsin businesses through the Wisconsin Department of Commerce (Commerce). In FY 2008-09, \$41.5 million was appropriated in annual base level funding for Commerce grant and loan programs. This chapter details a number of types of assistance that Commerce provides and overviews 12 specific financial assistance programs. A comprehensive and detailed review of all the Commerce economic development programs is available in Informational Paper #92 on the web site of the Wisconsin Legislative Fiscal Bureau.

Following is a brief summary of economic development programs providing financial assistance to Wisconsin businesses through the Department of Commerce (Commerce). A much more detailed description of these programs can be found in the January, 2009 Wisconsin Legislative Fiscal Bureau informational paper #92 entitled “State Economic Development Programs Administered by the Department of Commerce.” The following table shows the \$41.5 million in annual base level (state fiscal year 2008-09) appropriations for Commerce grant and loan programs.

Table 1. Commerce Economic Development

Grant and Loan Programs	Total Annual Base Level (2008-09) Funding
Wisconsin Energy Independence Fund	\$15,000,000
Wisconsin Development Fund	11,148,400
Brownfield Grants	7,000,000
Gaming Economic Diversification Grants and Loans	2,538,700
Diesel Truck Idling Grants	2,000,000
Manufacturing Extension Center Grants	1,200,000
Rural Economic Development Program	726,600
Community-Based Economic Development Program	712,100
Minority Business Development Program	571,400
Forward Wisconsin	320,000
High-Technology Business Corporation Grant	<u>250,000</u>
Total	\$41,467,200

The Department of Commerce administers a wide variety of separate economic development programs that provide financial assistance. However, the type of assistance provided can be categorized into a number of 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 early planning grants and entrepreneurial training grants to assist entrepreneurs and small businesses in developing business plans. A match of at least 25% of costs is required. The grants are provided through the Wisconsin Entrepreneurs' Network (WEN).

Capital Financing

Commerce provides three general sources for capital financing: (a) direct lending; (b) tax credits; and (c) industrial revenue bonds. Direct lending is provided through the Department's grant and loan programs, such as the Wisconsin Development Fund (WDF). Eligible businesses receive tax credits through programs such as development zones. Capital financing is also provided through industrial revenue bonds (IRB). Under the IRB 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 that are used to finance business facilities.

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) the technology commercialization grant and loan, and tax credit programs; (b) the technology development fund (TDF) and technology development loan (TDL) program funded through the Wisconsin Development Fund; and (c) the technology zones program.

Employee Training

Commerce provides financial assistance for employee training through two programs: (a) customized labor training (CLT); and (b) business employees' skills training (BEST). The programs fund labor training programs that provide employees with new, advanced, or upgraded job skills. Grants finance between 50% (CLT) and 75% (BEST) of project costs with a maximum of \$1,000 (BEST) or \$2,500 (CLT) per employee trained.

Trade Shows

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. Eligible businesses can be reimbursed up to \$5,000 for eligible expenses related to participation in a trade show or "matchmaker" trade delegation event.

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.

Financial Assistance Programs

Wisconsin Energy Independence Fund—Renewable Energy Grants and Loans

The program provides 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. Grants and loans are used to fund research and development projects, commercialization/adoption projects, and supply chain development projects. Matching funds of at least 50% of total project costs are required, and must come from a source other than the state. Renewable energy grants and loans are funded with segregated (SEG) recycling fund revenues through a biennial appropriation. Annual funding of \$15.0 million is provided beginning in 2008-09.

Wisconsin Development Fund (WDF)

WDF awards are made using general grant and loan criteria, or through the Wisconsin trade project, and the technology commercialization grant and loan program. Commerce is authorized to make grants or loans 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. The Wisconsin trade project program provides grants to small- to medium-sized businesses to attend international trade shows. The technology commercialization grant and loan program provides funding for various stages of business venture development and for an entrepreneurial and technology transfer center. WDF grants and loans can provide up to 75% of project costs, depending on the program. The WDF is funded through a general purpose revenue (GPR) and a program revenue (PR) repayments appropriation. Annual base level funding for the WDF is \$7,098,400 GPR and \$4,050,000 PR.

Brownfield Grants

The program provides financial assistance to individuals, trustees, municipalities, businesses, and nonprofit organizations that conduct brownfield redevelopment and related environmental remediation projects. Funding is provided from the environmental management account of the segregated environmental fund. Awards can fund as much as 50% to 80% of project costs, depending on the size of the award. Base level funding is \$7.0 million environmental fund SEG in 2008-09.

Gaming Economic Diversification Grants and Loans

The program provides financial assistance to businesses that are located in areas affected by American Indian gaming operations. The program provides: (a) early planning grants; and (b) economic diversification grants and loans to fund business projects that help diversify a local economy, so that it is less dependent upon revenue derived from gaming operations. Annual base level funding is \$2,538,700 PR, provided from tribal gaming revenues received by the state under state-tribal gaming compacts.

Diesel Truck Idling Grants

The program provides financial assistance to common, contract, and private carriers for up to 50% of the cost to purchase and install idling reduction equipment on 1999 or newer diesel tractor engines. It is intended to help Wisconsin motor carriers reduce air pollution emissions and fuel consumption. A one-time increase to \$2,000,000 (petroleum inspection fund SEG) was provided for grants in 2008-09, with annual funding provided for grants scheduled to revert to \$1,000,000 beginning in 2009-10. In 2007-08, Commerce awarded 135 grants. The program is scheduled to sunset in June, 2011.

Manufacturing Extension Center Grants

The manufacturing extension center grant program provides annual grants of \$1.2 million GPR to the Wisconsin Manufacturing Extension Partnership (WMEP) and Northwest Wisconsin Manufacturing Outreach Center (NWMOC). WMEP and NWMOC provide technical assistance to small- and medium-sized businesses. Personnel work directly with manufacturers to address their needs in areas such as production techniques, technology applications, business practices, and specialized training. WMEP is part of a nationwide system of manufacturing extension partnerships that receive federal funding from the National Institute of Standards and Technology (NIST).

Rural Economic Development (RED)

The RED program provides grants for professional services, entrepreneurial training, and for dairy farm and other agricultural business start-ups, modernizations, and expansions. The program also provides grants and loans for working capital and fixed asset financing in starting or expanding a business, and to pay certain employee relocation and retraining costs. RED is funded from a GPR and a PR loan repayments appropriation. The program is targeted toward agricultural and small business operations in rural communities. Grants and loans generally may not exceed 75% of project costs. Base level funding of \$606,500 GPR and \$120,100 PR (repayments) is provided.

Community Based Economic Development (CBED)

The CBED program provides: (a) grants to community-based organizations for local economic development projects and management assistance; (b) grants to business incubators for assistance and operations; (c) economic diversification

planning grants to political subdivisions; (d) economic development grants for regional economic development projects; (e) entrepreneurship training grants for disadvantaged and at-risk children; and (f) venture capital development conference grants. Grants may fund up to 75% of project costs, depending on the type of award. Base level funding of \$712,100 GPR annually is provided.

Minority Business Development (MBD) Program

The MBD program provides the following types of financial assistance to minority group members or minority businesses: (a) early planning and entrepreneurial training grants; (b) business development grants and loans to provide financial assistance to minority group members or minority businesses to fund development projects involving the start-up, expansion, or acquisition of minority businesses, or the promotion of economic development and employment opportunities; (c) grants and loans to local development corporations for development projects and local revolving loan fund programs; (d) minority business finance grants and loans to nonprofit organizations or private financial institutions for micro-loans for minority group members and minority-owned businesses; and (e) education and training grants to a nonprofit organization that is a minority business to fund an education and training project. MBD grants and loans can fund up to 75% of project costs, depending on the type of award. Funding is provided through a GPR and PR repayments appropriation. Base level funding of \$254,200 GPR and \$317,200 PR is provided the MBD.

Forward Wisconsin

Forward Wisconsin is a nonprofit organization that markets Wisconsin to out-of-state companies to attract new business, 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. State funds may be released to match an equal amount of private contributions. 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.

High-Technology Business Development Corporation Grant

The high-technology business development corporation grant program provides an annual grant of \$250,000 GPR to the Wisconsin Technology Council. The Council promotes the development of high-technology businesses in the state. A match equal to 50% of the state grant is required.

Tax Credit Programs

In addition to grant and loan programs, Commerce administers various aspects of certain tax credit programs. Numerous programs provide tax credits to businesses for various types of economic activity in the state. Programs include: (1)

development zones; (2) enterprise development zones; (3) development opportunity zones; (4) technology zones; (5) agricultural development zones; (6) airport development zones; (7) enterprise zones; (8) early stage business investment programs; (9) manufacturing investment tax credits; (10) film production tax credits; (11) internet equipment tax credits; (12) dairy manufacturing facility investment tax credits; and (13) electronic medical records tax credits.

As an example, the maximum amount of credits that can be claimed under the development zones program is \$38.2 million. Commerce has designated all of the 22 authorized development zones and allocated \$34.3 million of the available tax credits. Up to 98 enterprise development zones (EDZ) may be designated, with up to \$3 million in tax credits allocated to each zone (maximum \$294 million). As of January, 2009 a total of \$206 million in EDZ credits had been allocated. A description of the tax credit programs can be found in the January, 2009 Wisconsin Legislative Fiscal Bureau informational paper #92 entitled "State Economic Development Programs Administered by the Department of Commerce."