

## Economic Development Money Grows and Public Oversight Shrinks

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***This week Sen. Kathleen Vinehout writes about the proposal in Governor Walker's budget related to the combining of WEDC and WHEDA. Her concern is that as the dollars for economic development grow, the ability of the public to determine how well their public dollars are used does not.***

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MADISON - "I've heard about the cuts," the Buffalo County man said. "But this budget spends more. Who's getting more money?"

Folks are concerned about big cuts to the UW; cuts to local schools; scaling back of health programs for the disabled; public radio and TV losing state support.

But the new budget spends \$3 billion more than the last. Where is that money going?

One place to look is the Wisconsin Economic Development Corporation (WEDC). Despite its name, WEDC is a part of state government; in fiscal year 2012-13 it received over \$62 million from the budget (including about \$4 million in federal funds) and the agency can authorize potentially millions more in tax credits.

The Governor's flagship program turned troubled when auditors found procedures weren't written down, loans were lost and Wisconsin was penalized. Three Chief Financial Officers left – one after only a day on the job.

I described the creation of WEDC four years ago as putting the cookie jar in a dark pantry with a sign on the door that says, "Trust Us".

In this budget the Governor combines WEDC with another agency that administers loans: the Wisconsin Housing & Economic Development Authority.

The Governor creates a new board. He kicks off the board the legislators who ask too many questions. The new board will only be private sector folks chosen by the Governor.

The budget adds more money into the mix: \$55 million in a revolving loan fund and almost another \$10 million in tax credits. Governor Walker then proposes taking existing business tax credits and converting them into refundable tax credits. What does that mean?

Think about the refund you might receive when you file your taxes. The refund comes because you paid in more than you owed. It's your money coming back.

What if the rules were changed so you didn't owe any taxes? You still filed your tax return but you owed nothing. A refundable tax credit would still give you a refund check signed by the people of Wisconsin. That's what's going on.

Imagine you're the CEO of a multi-national company that reported sales in billions. You're making a lot of money. But the tax laws are changed so the company owes very little or nothing at all.

When your accountant files your company's tax returns instead of paying on what you owe (which is nothing) the people of Wisconsin pay you. This is a refundable tax credit.

And then the budget proposal takes away a few of the rules.

For example, under the 'qualified new business ventures', your company would not have to comply with one or more of the current rules: you would not have to be a Wisconsin company, you would not be required to have 51% of your workforce in Wisconsin, and you would not have to commit to keeping your business in Wisconsin.

Reminder: the public purpose of the current rules is to grow good paying Wisconsin jobs.

The public wouldn't know if you followed the rules or even received the grant because the budget changes the open records laws so the company can never be identified. No data in the agency's record keeping software can be made public.

I wondered how the auditors would do their work. But then I learned the budget also says the watchdog Legislative Audit Bureau (LAB) won't complete a program evaluation audit until 2017 and won't complete a financial audit at all.

An independent private auditor will be hired in 2016. But an outside auditor won't give us the information we receive from the LAB.

To perhaps add an incentive to companies to play nice with the people in charge of the cookie jar, the Governor takes away any oversight on the creation of a nonprofit company to accept private gifts and grants.

It's not a big stretch to see companies giving gifts to the nonprofit arm and receiving tax credits from the other arm.

I explained all this to my constituent in Buffalo County. He said, "They took the cookie jar from the dark pantry and put it in a dark castle with a moat around it!"

The sign in front of the moat reads, “Just trust us.”

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