

WEDC Admits They Are Not Following the Law

Written by Kathleen Vinehout, State Senator 31st District
Tuesday, 31 October 2017 16:53

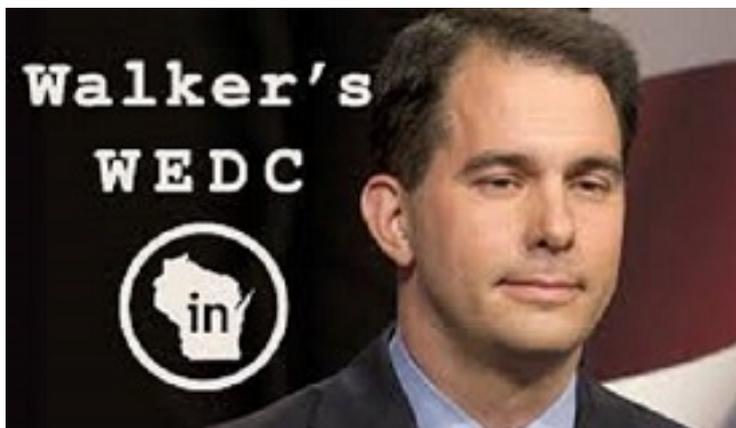
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A recent LAB audit showed WEDC's failure to comply with the laws to protect taxpayer's money for job creation efforts in Wisconsin. WEDC's lack of transparency, their numerous examples of misrepresenting job creation numbers and their frequent disregard for LAB recommendations call into question their ability to oversee a \$3 billion contract with Foxconn.

MADISON - "We have not been able to verify the jobs," said Secretary Mark Hogan at a recent public hearing of the Joint Committee on Audit.

In this statement, the head of the Wisconsin Economic Development Corporation (WEDC) confirmed what several years of audits repeatedly found: our state awarded hundreds of millions in tax credits and cash payments to companies to create jobs without ever checking to see if jobs were actually created.



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WEDC is the state agency overseeing economic development efforts. They hand out tax credits and cash payments to corporations to create and retain jobs. WEDC writes contracts for companies to receive state money. When a company abides by the contract, it receives a payment, a certificate for a tax break, or their loan is forgiven.

Secretary Hogan's statement above was his response to questions from myself and others who asked whether he was going to follow the law. We did not trust WEDC was prepared to follow recommendations of the Legislative Audit Bureau (LAB) to set up policy and really start following the law.

The law states WEDC must verify the company actually created jobs, not just their word. It's a bit like your son telling you he cleaned his bedroom. You always walk upstairs and check to make sure.

In the last four years, audit after audit by the nonpartisan LAB found WEDC never verified companies followed through with their contracts.

Numerous times, companies admitted they failed to hold up their end of the bargain. Instead of enforcing the contract, WEDC changed it to reflect what the company did do and gave them the money anyway. Hundreds of millions of tax dollars went to companies without WEDC staff independently verifying the promised jobs.

Even when WEDC knew a company didn't comply with the terms of their contract, they would sometimes still award tax credits and cash payments. In other cases, WEDC claimed the promised (but not delivered) jobs on the WEDC website even though they knew the numbers weren't accurate.

For example, auditors found WEDC claimed credit for 485 jobs a company promised to create. The company pulled out of the program and created no jobs but the state website still showed 485 promised jobs. In another case, WEDC claimed credit for keeping 340 jobs despite the company going out of business.

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In a third case, WEDC claimed credit for 68 jobs that weren't created because the company sold its Wisconsin operation. In yet another example, a company informed WEDC they only created 18 jobs of the 226 promised. WEDC still claimed the entire 226 jobs on their website.

In another instance, a company promised 657 jobs. WEDC staff decided the company was only eligible for tax credits for 489 jobs. But WEDC still claimed the additional 168 jobs on their website.

Another example showed a company reported the creation of 742 jobs, but WEDC staff found only 678 were eligible for tax credits. The online data still reflected the larger number.

During the hearing, I found it difficult to determine if WEDC was incompetent or deliberately skirting the law.

I was most disturbed when Secretary Hogan flat-out said "no" to my request to release documents to LAB so auditors could complete their work. The document I wanted released was a study by an independent attorney the state paid \$8,600 to answer the question: "Is WEDC complying with statutes?" (are they following the law?)

This question was central to the findings of the audit. If agency leaders didn't think there was a law they needed to follow, I had no hope they would follow the audit recommendations and adopt verification policies and procedures.

I left the hearing with many unanswered questions. Does Secretary Hogan understand he must follow the law? What is Secretary Hogan hiding in the document he refused to release to auditors? How can lawmakers stop WEDC from rewriting contracts if companies don't deliver? How can we get an accurate count for how many jobs were created with the millions of taxpayer dollars?

But the most pressing question was; ***how can we possibly trust WEDC to oversee a \$3 billion contract with Foxconn?***