Should State Tax Dollars Go to Companies Just to “Create Jobs”?

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This week Sen. Kathleen Vinehout writes about the WEDC and problems plaguing this entity. The Legislative Joint Audit Committee will be meeting to discuss the latest LAB audit findings which show WEDC still has work to do to improve.

MADISON - Imagine how private firms do business with the State of Wisconsin. The companies provide something of value for taxpayers and, in return, receive state money.

This happens all the time in state government: private companies build roads, computer systems, pay Medicaid bills, and even educate children.

What if the sole reason tax dollars went to a company was to create jobs?

Recognizing that taxpayers would want to know companies were actually creating jobs, lawmakers wrote state law requiring verification of information sent by businesses applying for tax dollars. Not really a whole lot different than making sure road builders actually poured the required amount of concrete on our roads.

But the public accountability is a lot less when it comes to job creation.

In 2011, Governor Walker established the Wisconsin Economic Development Corporation (WEDC), which administers 29 economic development programs funded almost entirely with state money.

WEDC’s name is misleading – it is not a corporation. It is a state ‘authority’ and is – or should be – accountable to taxpayers for dollars it spends. That’s why the nonpartisan Legislative Audit Bureau (LAB) has been auditing WEDC since its creation.

Findings from the LAB May 2015 audit revealed that WEDC awarded grants and loans to companies to create or retain jobs, but WEDC staff did not require those companies to submit payroll or other records showing that jobs were actually created or retained.

WEDC staff wrote off some loans not collected, deferred payments due and forgave loans. Program reports did not contain clear, accurate or complete information on outcomes. In some cases, the WEDC Board actually created policies in direct conflict with state law.

Evidence in several audits show WEDC broke state and federal laws. Illegal action in approving Community Development Block Grants led to fines that are still being paid by taxpayers.

During its first three and one half years, WEDC staff didn’t independently verify the job creation or retention information by annually reviewing a sample of grant and loan recipients, as required by state law. They allocated tax credits to projects that started before the company actually contracted with WEDC to start the project. WEDC staff did not consistently collect companies’ verified financial statements for recipients of certain grants and loans.

So, what is the answer to questions about job creation or if the 29 programs were successful? The answer is “We don’t know.” Early in WEDC’s existence, zero jobs were independently verified – which was in direct conflict with state law.

The May 2015 audit is the fourth in two years reporting similar findings.

If a program in any other part of state government failed to follow state laws and failed to deliver goods and services bought with state tax dollars, the public and the press would hound lawmakers until they shut down the program or made massive changes.

It is not so with WEDC. Only recently, after pressure from legislators did the Joint Legislative Audit Committee Co-Chairs schedule a public hearing on the May audit. During this public hearing, scheduled for September 2nd, I expect WEDC officials to try to discredit the stellar work of the nonpartisan LAB.

Two concepts are important to remember in reading any news account of the upcoming hearing. What does it mean to verify or make sure jobs were actually created? Is WEDC required to follow state law on when and how to award state tax dollars?

WEDC officials claim that asking a company to sign a “progress report” form is measure enough the company has created the jobs. They also argue laws were not broken even though auditors reported numerous instances when contracts were written or amended and even board policies were created in violation of state law.

In any other part of state government executives would be fired and programs eliminated with the type of negative results found in just one audit – not four audits in two years.

WEDC officials claim they created a ‘business friendly’ environment and placing too many restrictions on businesses receiving state money might discourage the business from applying for grants or tax credits in the first place.

But, if we can’t ensure taxpayer dollars are well spent, why do we have these programs?

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