

Open the Pantry Door and Shine the Light on Economic Development Programs

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MADISON - "In Wisconsin, we don't make excuses, we get results," said Governor Walker as quoted by the Associated Press. The governor was unveiling his \$75 million budget initiative earlier this year to economic development professionals across the state.

While the new dollars are still being debated, the spending of existing economic development dollars recently took center stage among Legislators.

The Legislative Audit Bureau (LAB) released a stinging indictment of mismanagement and poor oversight at the Wisconsin Economic Development Corporation (WEDC). The audit reviewed 30 economic development programs during the 2011-12 fiscal year. WEDC awarded \$41.3 million in grants, \$20.5 million in loans, provided \$110.8 million in tax credits to businesses and individuals, and authorized local government to issue \$346.4 million in bonds.

Auditors found not a single job created by this investment was verified by WEDC. More than half of the required reports had not even been filed by businesses receiving assistance. Without evidence it was impossible for auditors to determine if contractually specified performance, including required job creation, ever happened.

In page after page of the 120-page report auditors outlined management failures and violations of current law.

Companies and projects that were not eligible still received awards. In violation of the law, WEDC paid for activities provided before the date of the company's contract. Awards were

given by WEDC over amounts limited by law. One company received \$2.5 million in credits through a job creation program and never even promised to create jobs. Another company received \$57,000 per job in clear violation of program limits on dollars given per job.

Delinquent loans were not tracked and collected. One loan was restructured six times to avoid the business making payments. Another business that failed to pay on a loan that was almost 14 years old received another loan twice as big. Some loans were forgiven; one of which was made to a company that hired the same firm WEDC hired to improve its record keeping.

Auditors documented at least seven instances where this firm, Baker Tilly, had potential conflicts of interest because the firm represented and provided consulting services to companies seeking awards with WEDC during the time Baker Tilly had access to information on WEDC's awards and recipients.

Wisconsin's premier metric "Job Creation" could not be verified on any of the millions of taxpayer dollars that went out the door.

The metrics for tracking job creation programs were set to law following a disturbing audit over six years ago. Senator Lassa and I along with other now retired lawmakers spent a year fixing these problems. Following systems in other states we set rules requiring goals, benchmarks and evaluation to make sure the business did what was promised and the people's dollars were wisely invested.

In January, 2011 I wrote:

All this work is about to be thrown out the window. And to be replaced by a dark pantry with a sign on the door reading 'Just Trust Us'.

Moving at break neck speed through the Legislature is a bill to abolish the state commerce department and create a private corporation. The bill gives this private corporation unlimited state bonding (or borrowing) privileges and makes it exempt from many state laws including employment law.

Two years later auditors found even the limited version of what remained of the law was not followed. The problems of mismanagement and the appearance of impropriety are not limited to Wisconsin.

Earlier this year, the *Chicago Tribune* reported the federal government is investigating the Illinois economic development agency and the state auditor warned for twenty years controls on state money are not adequate. *New York Times* reporters documented Governor Cuomo's actions using New York's economic development agency to hire friends and shore up contributions for his possible run for president.

Both Illinois and New York have Democratic governors. Regardless of party, there is no excuse for mismanagement and poor oversight.

Lawmakers must demand change. If everything doesn't have to be made public, the temptation to break the law is much greater. Every parent knows you can't leave kids in the pantry with the door closed.

Note: The Joint Legislative Audit Committee has scheduled a public hearing on the WEDC audit for Thursday.

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