



Wisconsin spent \$152.8 million on economic development programs in 2003-05, and another \$27.9 million in tax credits to businesses.

Wisconsin has some 152 economic development programs.

There are 26 boards, councils, and task forces responsible for overseeing the state's economic development programs.

Twelve states, including neighboring Illinois and Minnesota, have laws requiring the public disclosure by corporations of tax credits, exemptions, grants, loans, and other subsidies received from the state.

Wisconsin does not have a corporate subsidy disclosure law, though the Department of Commerce is exploring a public "Online Accountability for Businesses" Web site.

Accountable Economic Development

Stronger Economic Development Accountability

To help build high quality jobs for Wisconsin's future, the state has established a host of economic development programs. Unfortunately, neither residents nor policymakers have a clear picture of whether all these programs and investments actually pay-off for the state in real jobs. Other states require more consistent reporting on both the companies that are benefiting from public economic development investments, and on whether those investments are fulfilling promises of high quality jobs. Wisconsin should establish more systematic rules governing reporting and accountability for our economic development programs.

A 2006 report by the Wisconsin Legislative Audit Bureau (LAB) focused statewide attention on both the scale of public investments in economic development, and on the lack of accountability surrounding them. The LAB report found that Wisconsin spent fully \$152.8 million on economic development programs in 2003-05, much of it in aid to corporations. The report also found that there is little organized effort to track these expenditures and measure program results. Dollars are flowing from the state to private companies with minimal oversight or accountability.

Wisconsin needs better data to assess the fiscal and economic impacts of its economic development assistance. For example, corporations often receive state subsidies in return for promises to create jobs and meet other state economic development goals. The state, however, has no consistent mechanism to track whether these subsidies actually lead to the promised results. The first step toward making the subsidies more efficient is to gather more information on the subsidies themselves and on their actual effects.

Many of states are ahead of Wisconsin when it comes to corporate subsidy disclosure – that is, the mandatory disclosure by corporations of tax credits, exemptions, grants, loans, and other subsidies received from the state. Equally important, some states also gather data on whether public economic development investments are creating good quality jobs as promised. Twelve states, including neighboring Illinois and Minnesota, require corporations and public officials to provide information such as the number and value of corporate tax incentives provided by the state, the jobs created and retained by incentives, and the wages and benefits paid by those jobs.

Some states use this detailed information to require corporations to return subsidy money if they have not met their economic development promises. These "clawback" provisions help protect public investment in private jobs.

More thorough economic development reporting will allow Wisconsin residents and policymakers to better understand how the state spends its economic development dollars, and how effective these dollars are in actually creating quality jobs. Illinois' 2003 accountability law is the strongest in the nation, and Wisconsin's efforts could follow that model. Wisconsin could:

Resources on Accountable Economic Development

For information on Wisconsin's myriad of economic development programs: *A Review: State Economic Development Programs*, Wisconsin Legislative Audit Bureau. Available at: www.legis.wisconsin.gov/lab/reports/06-9Full.pdf.

For a summary of other states' subsidy accountability legislation: *Company Specific Subsidy Disclosure in the States*, Good Jobs First. Available at: www.goodjobsfirst.org/pdf/disclosure_chart.pdf.

For examples of "clawback" provisions in other states: *Examples of Clawback Provisions in State Subsidy Programs*, Good Jobs First. Available at: www.goodjobsfirst.org/pdf/clawbacks_chart.pdf.

C O W S

center on wisconsin strategy

The Center on Wisconsin Strategy (COWS) is a non-profit, nonpartisan "think-and-do tank" dedicated to improving economic performance and living standards in the state of Wisconsin and nationally. Based at the University of Wisconsin-Madison, COWS works to promote "high road" strategies that support living wages, environmental sustainability, strong communities, and public accountability.

For more information visit: www.cows.org

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- 1. Require companies to produce annual reports disclosing all subsidies received from the state.** This includes tax credits, exemptions, grants, and loans. Disclosure should also include promises made regarding job creation, including wages, benefits, and types of positions created.
- 2. Require an accounting of the actual number and type of jobs created as a result of the development package.** Corporations should be required to report on job creation and retention related to economic development deals, and these figures should be assessed in light of promises made in original development agreements. To assess job quality, corporations should also report on the wages and benefits of these jobs, including whether jobs offer health insurance and the percent of healthcare premiums paid by the company.
- 3. Make information gathered under a corporate subsidy disclosure law easily accessible to the public.** A good deal of information about corporate subsidies is already collected by the Department of Commerce for internal purposes. To promote transparency and make this information as useful as possible to the public and policymakers, the state should set up a Web-based corporate subsidy reporting system. Data should be made available to the public in a centralized format that is user-friendly.
- 4. Streamline economic development programs.** The LAB report found that Wisconsin has 26 boards, councils, and task forces responsible for overseeing the state's myriad economic development programs, and that these entities have no systematic way to evaluate the programs or even communicate with one another about who is covering which program. Economic development accountability could be enhanced by improving coordination across programs, reducing the number of programs with similar purposes, and consolidating agency reporting procedures, as the LAB has recommended.

Corporate Subsidy Disclosure in Illinois

Illinois has enacted one of the nation's most comprehensive corporate subsidy disclosure laws. The 2003 Illinois Corporate Accountability Act requires companies receiving any number of state economic development dollars to report on their progress in achieving job creation, retention and wage promises made in subsidy deals.

This act provides good public access to the information on public investments. The law would be strengthened, however, by requiring subsidized employers to report whether they provide healthcare benefits to workers.

Under the act, Illinois state agencies release annual reports disclosing the number of tax subsidies issued as well as the number of organizations failing to meet their obligations. The database of subsidies is available on-line, and can be searched by year and program type. Information is available for any company receiving subsidy. Reports are available at Department of Commerce and Economic Opportunity at: corpacctportal.illinois.gov/ProgressReport.aspx.

In 2006, Good Jobs First released analyses of data gathered under the act. The group found that the state was frequently giving subsidies to companies that then created jobs paying less than a family-supporting wage. As a result, many workers in these jobs would still have to rely on public assistance to survive, essentially making the state pay twice – once in corporate subsidies, once in state-supported benefits programs – for the same workers. The report, *Subsidizing Low-Wage Jobs: An Analysis of the First Economic Development Deals Disclosed Under Illinois' New Accountability Law* is available at www.goodjobsfirst.org/pdf/DCEO_subsidy_database_report.pdf.