

# Commerce Department shake-up will work, Gov.-elect Walker VOWS

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Gov.-elect Scott Walker detailed plans Tuesday for a public-private agency to replace the Commerce Department and vowed the new entity would not suffer the same problems plaguing similar agencies in other states.

Walker said the new Wisconsin Economic Development Corp. would be helmed by the governor and led by his commerce secretary, along with a 12-member board of directors. Board members would be nominated by the governor and approved by the Senate.

Though it would act as a corporation, Walker promised the new agency would still adhere to state open records, lobbying and financial disclosure laws and be subject to state audits — safeguards intended to prevent problems with similar agencies in other states.

The proposal comes in response to criticism that the Commerce Department has too many responsibilities. Along with promoting business interests, the department's duties range from community development and preventing homelessness to petroleum product testing and building safety.

The governor-elect said the new agency would be “more nimble” and better able to react to a changing business environment through a streamlined process that focuses solely on job growth.

## Problems in other states

Privatizing Commerce is not a new idea. Similar approaches have been tried in several states with mixed results.

In Texas, the public-private TexasOne has in recent years lured many Fortune 500 companies away from other states. But state officials have also wrestled with significant challenges in oversight and accountability. Earlier this month, Gov. Rick Perry even asked one of its committee members to resign over questionable stock deals.

In Michigan, the Michigan Economic Development Corp. got in trouble last year after awarding \$9.1 million in tax credits to a convicted embezzler.

And recently in Indiana, the Indiana Economic Development Corp. came under intense scrutiny for inflating job creation numbers and resisting efforts to open its books to the public. A local TV station investigated and discovered that of 100,000 jobs the agency claimed to create, only about 60,000 existed.

Ted DeHaven worked for years as an Indiana budget official. His main job was to monitor state agencies. He said IEDC was one of the worst offenders.

“Most of the numbers they gave us were either not true or could not be substantiated,” said DeHaven, who now works as a Cato Institute policy analyst in Washington, D.C. “It was a political organization that really only served to make it seem like the governor was doing something about the economy.”

## Groundwork for growth

Walker has promised to bring some 250,000 jobs back to Wisconsin through business-friendly legislation.

His Commerce proposal is part of a five-part agenda for a special session of the Legislature Walker has called for Monday. Other proposals he has directed the new Republican-led Legislature to act on include tax reductions for small businesses, eliminating state taxes for health savings accounts, reducing state regulations, and banning lawsuits Walker considers frivolous.

Walker's proposal to turn economic development over to a public-private agency was met with approval by many in the business community. Officials with Wisconsin Manufacturers & Commerce, the Wisconsin Economic Development Association and the Wisconsin Grocers Association all praised the plan.

“I think it was a long time coming,” said Brandon Scholz, the Grocers Association president. “It’s a smart thing to do. Anything to generate more business and more jobs.”

But incoming Senate Minority Leader Mark Miller, D-Monona, called the plan “a very troubling proposal.”

He questioned how transparent the body would be, raising the prospect of conflicts of interest in an agency that deals extensively with businesses and large amounts of money. “Commerce is an area that’s ripe for rewarding political friends,” Miller said.

Rep. Robin Vos, R-Rochester, the incoming co-chairman of the Legislature’s budget committee, raised separate concerns.

“Here’s what I worry about,” Vos said. “I don’t want the Legislature to turn over our authority to the executive branch and say, ‘We hope you figure it out.’”

### **Legal questions**

Union leaders asked whether Walker’s proposal is even legal. The Commerce Department, which has a \$183 million annual budget, employs almost 400 state workers. Under Walker’s proposal, those workers would be allowed to reapply for their jobs — either with the new agency or with other agencies that take over the former Commerce Department’s work.

Scott Spector, government relations representative for AFT-Wisconsin, which represents about 100 Commerce employees, said unionized workers are protected against their jobs being privatized or being forced to reapply for another state job.

“I’d have to see the detailed plan, but our people do have protections,” he said.