



State of Wisconsin Department of Administration

Tony Evers, Governor

Kathy Blumenfeld, Secretary

David Pawlisch, Division Administrator

Policy Number:

ED-09-2013

Title:

Penalties

Effective Date:

July 1, 2013

Description:

Past and future contract language for failure to meet job creation expectations

Purpose:

Under the former Department of Commerce, the grant agreement/contract (three party agreements) frequently contained language creating fiscal penalties for the business when job creation numbers for an economic development project did not meet the target. For example, the agreement language may expect the business to repay the loan and pay a financial penalty ranging between \$500 and \$1,500 for each job not created. The contract language was rarely, if ever, enforced. The economic downturn created a significant strain on UGLG's and businesses utilizing CDBG funds for projects. During the recession projects struggled to survive.

On July 1, 2011, the former Department of Commerce was abolished and the CDBG program formally transferred to the Department of Administration – Division of Housing (DOH). The DOH entered into an administrative agreement with the Wisconsin Economic Development Corporation (WEDC) to perform certain administrative tasks related to the CDBG program specifically related to Economic Development, Public Facilities, Public Facilities for Economic Development, and Planning grants. On July 1, 2013, all of the administrative tasks related to CDBG returned to DOA.

Policy:

1. Penalties assessed to businesses, detailed in grant agreements/contracts executed prior to July 1, 2013, will not be enforced due to the impact of the severe economic downturn nationally.
2. No new penalties will be included in future contract language.

Related References:

ED-01-13