

Midwest and Great Lakes Economic Development Summit
WISCONSIN STATE REPORT

Economic Development Strategy

Governor Doyle's economic vision for Wisconsin is for our state to compete at the high end, increase productivity, and support business growth. To realize this vision, the Governor has outlined eight strategic goals to help grow the state's economy—these goals are the driving force for Wisconsin's economic development strategy. The goals include:

- Retain and Create High Wage Jobs
- Prepare Workers for Tomorrow's Economy
- Add Value in Wisconsin's Economic Base
- Create and Unleash Knowledge to Build Emerging Industries
- Tap Wisconsin's Full Urban Potential
- Implement Strategies Regionally
- Lower Regulatory Burdens, Keep Standards High
- Build a World Class Infrastructure

More detail on each of these goals can be found in the Governor's Grow Wisconsin economic development plan, available online at <http://www.wisgov.state.wi.us/docview.asp?docid=12933>.

The state's role in economic development is to provide and support infrastructure such as information technology systems, a top-notch education system, roads, and utilities; and to support job growth and business development—to "grow our own" by providing an environment that fosters innovation and entrepreneurship, and one that encourages small business development.

Wisconsin's economic development efforts are coordinated through inter-agency programs and Cabinet-level working groups. Examples of successful inter-agency initiatives in Wisconsin include:

- Energy Independence Cabinet Workgroup—This working group, made up of representatives from the Governor's Cabinet, meets twice a month to develop renewable energy and energy efficiency policy recommendations for the Governor and to coordinate agency efforts for potential new projects in the state relating to renewable energy and energy efficiency.
- NGA Policy Academy on Workforce Sector Strategies—Wisconsin has been chosen to participate in a National Governors Association Policy Academy on State Sector Strategies. The academy is providing the leaders of our Department of Workforce Development, Department of Commerce, and Technical College System the opportunity to improve the state's understanding of workforce sector strategies and to develop strategic action plans that apply this understanding to our state.

- The Wisconsin Waterfronts Initiative—By developing and revitalizing Wisconsin's many lake and river waterfronts, waterfront communities will gain tourism and economic benefits. To promote waterfront redevelopment in Wisconsin, the Wisconsin Waterfronts Initiative will allow communities who wish to redevelop their waterfronts to do one-stop shopping at state agencies for assistance with their projects. The program will devote combined state agency resources to planning and assessment, construction and development, tax incentives, and other resources.

In recent years, Wisconsin's reforms to its economic development approach have not necessitated substantial staffing level changes, although there are examples where the state is working to streamline and consolidate existing programs to use state dollars more effectively.

Manufacturing

The Governor's strategy for Wisconsin's manufacturing sector includes helping manufacturers transition to compete in a global economy, streamline and implement lean manufacturing techniques, and develop new high-end manufacturing product lines. Wisconsin approaches this task by tailoring programs to reward new capital investment and upgrades in infrastructure.

Between 2004 and 2007, Wisconsin's exports increased by over 50 percent, reaching a record \$19.2 billion in 2007. To continue our increases in exports and to build business partnerships, the Governor has led numerous trade missions to key export countries, such as China, Japan, Mexico, Canada, and Europe. The state is also sharpening its international focus, and has recently established a Division of Investment and Export to accomplish these goals.

For Wisconsin manufacturers to continue to compete in the global economy, they will need to invest more in research and development. The Governor recently announced a new initiative, Innovate Wisconsin, to assist Wisconsin's manufacturers as they improve existing products, develop new products, and identify new manufacturing processes. This initiative provides an innovation tax credit to businesses that increase their research and development activities. It also provides sales and property tax exemptions for machines and equipment that are used for research and development purposes.

To further assist our manufacturing sector in remaining competitive, the Governor provided \$1.2 million in his last budget to support the state's manufacturing extension programs (MEPs), to expand the number of Wisconsin manufacturers working to become leaner. The Department of Commerce is also investing an additional \$750,000, and is leveraging \$500,000 in federal dollars, to assist more than 100 small and mid-sized manufacturers across Wisconsin to work with an MEP for the first time to adopt lean manufacturing techniques. Finally, the state is undertaking a benchmarking survey in conjunction with the MEPs to get a better understanding of our state's manufacturing base and their needs for support.

Much of the state's activity directed towards retention, expansion, and attraction of our manufacturing sector is coordinated through the Department of Commerce. The Department focuses on and gives priority to projects within industries that have a proven track record of success in Wisconsin, such as dairy, machining, or paper firms. The Department partners with firms that provide benefits and family-supporting wages to their workers, but the state does not focus on attracting new industries which do not have a history of success in Wisconsin.

Workforce Development

Wisconsin's strategy for workforce development is to give our workers the skills to compete at the high end. To that end, our state is working with regional partners to identify high-growth occupations and focus our worker training initiatives by developing appropriate training programs in these industries. The state has myriad existing and proposed programs to meet our workforce development goals.

- Opportunity Grants—This proposed program would bridge the gap for low-wage workers to obtain some post-secondary education training. Grants totaling \$1.5 million would be provided to workers not currently eligible for technical college financial aid. The grants, up to \$1,000 per year, would be made available to adults to train in high-demand occupations.
- Skills Jump Start Pilot Training Grants—The state is allocating \$240,000 of its recently secured Joyce Foundation funds to create pilot curricula for technical colleges to simultaneously give adults lacking high school degrees basic adult education training at technical colleges and occupational training that is relevant to high-demand occupations.
- Emerging Industry Skills Partnership—Grants totaling \$850,000 are providing industry, technical colleges, and workforce development boards with the ability to train people for good-paying jobs in the emerging industries of Wisconsin—biotechnology, renewable energy, and advanced manufacturing and agriculture.
- WTCS Worker Training Program—This program, in place since 2005, created a new worker training partnership between technical colleges and businesses. In its first two years, the program trained and upgraded the skills of nearly 12,000 workers at 90 businesses across the state. Most recently, the Governor secured an additional \$3 million to expand the program to train 30,000 workers over the next two years.
- Industry-Led Training Initiatives (MSSC)—The industry-led and –developed Manufacturing Skills Standards Certification (MSSC) program provides workers with required manufacturing skills. The Governor has set a goal to have 40 percent of the state's manufacturing workers certified through MSSC by 2016.
- Committee on Baccalaureate Expansion (COBE)— Launched by the University of Wisconsin and Technical College Systems and supported by the Governor's Council on Workforce Investment, the COBE initiative is intended to develop and implement innovative ways to increase the number of baccalaureate degree holders by

making our education system more seamless and accessible to all Wisconsin citizens, including part-time students, minority students and others. More detail on this initiative can be found online at <http://www.vital.wisconsin.edu/acss/cobe/index.htm>.

Wisconsin has not recently significantly changed its funding formulas for public training system units. However, we are currently participating in a National Governor's Association (NGA) Policy Academy on Workforce Sector Strategies, and it is possible that new needs will be identified as a result of our work with NGA. This is an interagency cooperation effort as the state offers assistance for workforce training programs.

Transportation and Logistics

Wisconsin has long invested in its transportation infrastructure, because a strong economy requires a multi-modal transportation system that permits the safe and efficient movement of goods and people across the state and connects people to jobs. Investments in highways, local roads, harbors, rail and airports, as well as bicycle and pedestrian facilities, are necessary to support economic growth and job creation.

The most recent state budget added over \$400 million in funding for critical transportation needs in highway construction and rehabilitation and local transportation and transit aids. Over 252 million tons of goods are efficiently moved over these roads each year, which are safely traveled by thousands of tourists and Wisconsin residents. This funding will allow 18 major highway projects to move forward across the state.

Rail and mass transit are playing a growing role in Wisconsin's economy. In order to continue to efficiently get people to and from their places of work, and to support related economic growth along routes of travel, Wisconsin recently provided nearly \$13 million to support mass transit in our cities and support important inter-city transit initiatives and services in southeast Wisconsin.

Collectively, the over 500 tons of freight transported into and out of Wisconsin harbors and through our railways and airports are crucial to the state's economic growth. Under Governor Doyle, the state has invested over \$19 million in eight harbors, reconstructed and extended over 50 runways and built four new runways, as well as rehabilitated 158 miles of rail line and acquired 70 miles to prevent loss of service.

Transportation projects in Wisconsin are closely monitored for safety and budgetary efficiency. Major Highway Program Committees consisting of engineering and asset management leaders meet monthly to scrutinize proposed project cost or scope changes, and project cost increases over \$500,000 must be approved by the committees. Project managers must present options for potential changes, or savings, that would offset the cost of the proposed increase, and project cost estimates are updated every 6 months and are reported to the Legislature.

An example is the Marquette Interchange, the largest construction project the state has yet undertaken, and one of the largest projects in the nation. During construction, the Department of Transportation closely monitored both budgets processes and safety

procedures with all project stakeholders in a collaborative, centralized effort that brought the project in on time and under budget without a single fatality or serious injury to those who worked on it. More information about the project can be found at <http://www.mchange.org/>.

The state is also expanding its broadband access; in Summer 2007, the state began providing \$7.5 million in sales tax exemptions and tax credits to nine companies that will invest \$80 million in the purchase of Internet equipment used in the broadband market. The program is designed to encourage the extension of cell phone and high-speed Internet service to under-served or un-served parts of Wisconsin.

Clean Tech & Energy Efficiency

Wisconsin's strategy for promoting clean technology and energy efficiency focuses on growing our state's use of renewable energy quickly, and playing to our strengths in biomass resources to reach our goals.

To meet the Governor's goal of generating 25 percent of our electricity and transportation fuels from renewable sources by 2025, and his goal for Wisconsin to capture 10 percent of the emerging renewable energy and fuel markets, the state has established an Office of Energy Independence, implemented new tax incentives, convened a Global Warming Task Force, and established a state purchasing program for renewables.

- Office of Energy Independence—In 2007, Governor Doyle created the Office of Energy Independence (OEI) to lead the state's efforts to advance clean energy and bioproducts. More information about OEI can be found at <http://power.wisconsin.gov/>.

Incentive Programs

- Wisconsin Energy Independence Fund—Wisconsin has established a new grant and loan program, which is a 10 year, \$150 million investment to support cutting-edge research and development, the manufacture and production of new clean energy products, and ways to make clean energy use widespread and cost-effective.
- Ethanol and Biodiesel Fuel Pumps—Governor Doyle is offering a \$5,000 tax credit to each service station that installs or retrofits pumps that dispense fuel containing at least 85 percent ethanol or 20 percent biodiesel.
- Biofuel Production Tax Credit—The state will soon begin offering a tax credit equal to 10 cents per gallon for biodiesel fuel producers in Wisconsin that produce at least 2.5 million gallons of biodiesel per year.
- Biomass Market Development—Wisconsin state agencies are partnering with loggers in and farmers to pilot biomass development as a substitute for coal electricity generation and oil used for transportation.

Other Initiatives

- State Purchasing Initiatives—Wisconsin Act 141 sets a goal that by December 2008, specified state agencies must purchase 10 percent of their annual electricity from

renewable sources. The contracts will include wind power, biomass, off-the-street renewables, and the purchase of a share in a wind farm.

- Woody Biomass Exchange—The Office of Energy Independence is overseeing a feasibility study for the creation of a biomass commodity exchange, to help match renewable energy demands with biomass supply.
- Renewable Fuel Standard—Governor Doyle supports the implementation of a renewable fuel standard for Wisconsin.
- Great Lakes Bioenergy Research Center— The Madison-based Great Lakes Bioenergy Research Center is a \$135-million federal research center announced in 2007, and one of only three supported by the U.S. Department of Energy. Its focus is next-generation biofuels, especially those developed from woods and grasses.
- Global Warming Task Force (GWTF)—The state's GWTF will soon be releasing its final recommendations on innovation, conservation and efficiency. The GWTF has already released some interim recommendations, which can be found along with additional information on the task force at <http://dnr.wi.gov/environmentprotect/gtfgw/>.
- Focus on Energy—Wisconsin invests heavily in energy efficiency through its Focus on Energy program. This program, funded by all ratepayers, invests millions each year to help Wisconsin homes and businesses achieve energy efficiency savings. For the current year, Focus on Energy plans to invest \$60 million in efficiency measures.
- Executive Order (EO) 145—Through the Governor's Executive Order 145, Wisconsin's state government is increasing its energy efficiency by reducing state agency energy consumption per square foot; the relevant agencies are on track to reduce consumption by 10 percent per square foot by July 2008 and 20 percent per square foot by 2010. This EO also ensures that new state facilities are constructed to be 30 percent more energy efficient than commercial code.

Finally, as Chair of the Midwestern Governors Association (2007), Governor Doyle convened an Energy Summit, where Wisconsin and other states signed on to regional agreements, which will work to develop a regional greenhouse gas reduction system, use innovative technology to capture carbon dioxide emissions, and implement coordinated signage for renewable fueling stations, among other objectives.

More detail on these and other initiatives can be found in the Governor's Clean Energy Wisconsin plan, available online at <http://cleanenergy.wi.gov/>.

Technology Commercialization and More General Use of Universities

Wisconsin's universities are a critical component of the Wisconsin Idea, which is the idea that education should influence and improve people's lives beyond the university classroom; therefore our universities are engaged with the state on many levels. Various campuses of the university system have representation on standing government councils such as the Governor's Council on Workforce Investment and also on special task forces such as the Global Warming Task Force.

The university plays a leading role in our state's technology commercialization efforts. The Wisconsin Alumni Research Foundation (WARF) has served the University of

Wisconsin-Madison scientific community since 1925 by patenting the discoveries of UW-Madison researchers and licensing these technologies to leading companies in Wisconsin, the United States and worldwide. More information about WARF is available at <http://www.warf.org/>.

Wisconsin universities' research also creates opportunities for new technology commercialization. The Medical College of Wisconsin's Translational Research Center is designed specifically to spark advances in health care. The NanoRITE/NanoSTEM initiative at several UW campuses and technical colleges in west central Wisconsin is a collaborative incubator which fosters a business climate that supports entrepreneurs in the areas of advanced science, technology, engineering, and mathematics, and helps these entrepreneurs turn their ideas into high tech businesses. Finally, Wisconsin's Institutes for Discovery is a state of the art facility to host researchers in the most promising areas of scientific discovery. The facility also offers space for nascent commercialization research and collaborations with private sector partners.

The state also encourages technology commercialization by offering incentives to investors in high tech and bio tech companies. Our Act 255 program provides tax credits to angel and venture investors in these qualified businesses, and the Governor has also proposed an elimination of capital gains taxes for individuals who reinvest their capital gains in qualified Wisconsin businesses, providing these companies with the capital they need to transform ideas into growing businesses. The state has increased its support by \$2.5 million for its small grant and bridge loan program for start up businesses, to assist new companies in bringing their products to market. And finally, Wisconsin's Angel Network builds early-stage capital capacity throughout Wisconsin, increasing the number and amount of equity investments in Wisconsin's entrepreneurs.

Productive Metros

Wisconsin's population is uniquely distributed compared to our neighbor states. Although our state has two major metro areas, Madison and Milwaukee, it also has many midsized cities with universities and large employers, and so many cities in Wisconsin are vital sources of education, innovation, and employment. Because of this, many of our state's economic development initiatives are not geographically based, but rather based on targeted needs of employers or a particular industry sector. However, as the major metro area in Wisconsin, Milwaukee's challenges and opportunities warrant initiatives targeted to this city in particular.

The Governor's economic development plan includes initiatives to help support a world-class urban center in Milwaukee. The initiatives were first announced in 2007 under the Governor's *Growing Milwaukee for Wisconsin's Future* initiative. The full text of the initiative can be found online at

<http://www.wisgov.state.wi.us/docview.asp?docid=10524>.

The initiative, which is ongoing, includes plans for improving access to affordable health care, ensuring quality education, creating good-paying jobs, enhancing the public infrastructure and reinvesting in our city neighborhoods, and making unprecedented commitments to higher education and economic and workforce development.

To steer additional investment in Milwaukee, Wisconsin's largest metro area, in the most recent budget, the Governor provided:

- \$9 million to increase research at UW-Milwaukee
- \$3 million to support planning and development of a new UW-Milwaukee College of Engineering at the Milwaukee County Research Park
- \$500,000 to support plans for a new UW-Milwaukee school of public health
- \$12 million for a new translational research initiative at the Medical College of Wisconsin to spark advances in health care

The Governor also supports development of a Kenosha-Racine-Milwaukee (KRM) commuter rail line to link these vital cities, which are Wisconsin's gateway to the Chicago metro area.

Revenues and Subsidies

Wisconsin's tax policy has focused on creating jobs and supporting new business development. Our state is especially focused on promoting innovation in our industries which will allow our citizens and companies to compete at the high end.

Over the past few years, the state has undertaken significant tax reforms to provide a business-friendly climate, such as the Governor's 2003 action to implement the single sales factor for corporate income taxes, repealing Wisconsin's tax penalty on businesses that create jobs. In 2006, the state also implemented a full energy sales tax exemption for energy purchased and used in the manufacturing process. Finally, the Governor has imposed limits on tax levy growth in his past two budgets, and has coupled these limits with additional support for local services.

Wisconsin further supports innovation and new business development through its Act 255 program, which allows angel and venture capital investors to receive tax credits on their investments in qualified new business ventures in the high tech and biotech sectors.

As mentioned above, Wisconsin also encourages increases in research and development spending by offering tax credits on the increases in those company expenditures.

Other—Agriculture

Wisconsin has a rich history in agriculture, and this \$51 billion agriculture and food sector is more productive than ever today. To support continued growth and encourage modernization in our agriculture sector, Wisconsin has provided \$1.3 million in new tax credits to support dairy producers with purchasing much-needed equipment and implementing new technologies to become more efficient and improve quality. The Governor has also provided \$1 million in modernization tax credits to the smaller firms in the meat processing industry for the purchase of new equipment.

To further innovate our agriculture industry, the state is assisting our dairy plants in purchasing whey processing technologies, so that they can turn this by-product of cheesemaking into a new secondary revenue stream.

Finally, the Governor is providing \$13 million to farmers to support comprehensive nutrient management programs and \$800,000 for a grazing lands conservation initiative, designed to allow farmers to grow their operations while practicing stewardship and land management.

Other Links of Interest:

- 2008 Risk Capital Report: Wisconsin
<http://www.wisconsinotechnologycouncil.com/uploads/2008WRCR.pdf>
- Technology Talent and Capital: State Bioscience Initiatives 2008—Wisconsin Profile
http://bio.org/local/battelle2008/WI_BIO_08.pdf
- University of Wisconsin System Growth Agenda
<http://www.wisconsin.edu/growthagenda/about.htm>