

Economic Development Policy Forum a Success

Business leaders, academic experts and governmental policy-makers provide information, valuable insights and recommendations for action



UW-Madison Chancellor Carolyn "Biddy" Martin welcomes attendees to the Wisconsin Business Council Economic Development Policy Forum.

Nearly 100 business, academic and governmental leaders gathered at the Wisconsin School of Business at UW-Madison on Thursday, November 5 for the Wisconsin Business Council's first Policy Forum.

They were welcomed by UW-Madison Chancellor Biddy Martin and WBC Chair, Scott VanderSanden, president of AT&T Wisconsin. For the rest of the day, they listened and interacted with executives from Badger Meter, Orion Energy Systems, Exact Sciences Corp., Hendricks Development Group, Commerce Bank, Johnson Timber Corp., Bassett Mechanical, Foley & Lardner, Robert W. Baird & Co., the UW System and the Wisconsin Department of Commerce as they explored the corporate and governmental decision-making factors that affect business decisions about coming, staying and expanding in Wisconsin.



Badger Meter Chairman, President and CEO Rick Meeusen drives home the importance of WAVE, Milwaukee's new water management cluster initiative. (See page 2 for related information.)

Why we stay in Wisconsin

Business, academic and governmental leaders said the major factors encouraging companies to come and/or stay in Wisconsin include an able, dedicated work force; a strong educational and training infrastructure; good quality of life; and for some, access to key markets.

Why we think about leaving Wisconsin

With less unanimity, reasons for not coming and/or staying in Wisconsin include high taxes; lack of a comprehensive economic development strategy; concerns about the Milwaukee public schools; lack of access to venture capital; and difficulties getting in and out of the state.

SPECIAL THANKS TO DEAN MICHAEL KNETTER AND THE WISCONSIN SCHOOL OF BUSINESS FOR CO-HOSTING THE ECONOMIC DEVELOPMENT POLICY FORUM.



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PANEL 1: WHY WE STAY

With our unique quality of life, strong educational system and skilled work force, Wisconsin offers significant advantages over other states. Although our tax burden is relatively high, our infrastructure is well maintained and our state and local units of government perform relatively well. In addition, many Wisconsin companies have a legacy of success here and benefit from proximity to key markets, raw materials and suppliers.



Moderator: Aaron Olver, Deputy Secretary, Wisconsin Department of Commerce
Panelists: Michael Potts, Executive Vice President, Orion Energy Systems;
Maneesh Arora, Senior Vice President and CFO, Exact Sciences Corp.;
Richard Meeusen, Chairman, President and CEO, Badger Meter



Moderator: Michael Jones, Vice President—Corporate Affairs, MillerCoors
Panelists: Joe Fazio, CEO, Commerce State Bank;
Robert Gerbitz, Managing Director, Hendricks Development Group;
James Klausner, Retired Senior Vice President, Wisconsin Energy Corp.

PANEL 2: WHY WE MIGHT NOT STAY

In addition to the relatively high taxes, Wisconsin companies face a significant regulatory burden. The state-level permit process is time consuming, costly and unpredictable. Companies seeking to expand need greater consistency and a more rapid response from key state regulators. At the same time, overlapping local units of government hold sway over everything from zoning to water, sewer and roads. These multiple jurisdictions add a level of uncertainty and expense that makes other states more attractive for start-ups and expansions. Finally, Wisconsin's business culture is not particularly welcoming to high-risk, high-reward ventures because there is little forgiveness for failure.

PANEL 3: CRITICAL CLUSTER INDUSTRIES

Wisconsin's economy has long been characterized by industry "clusters" — groups of businesses that rely on similar work force skills, materials and infrastructure. Success comes when group synergies such as supply and distribution networks, applied knowledge and a regional reputation for quality emerge, creating competitive advantages and access to new markets for the group as a whole. Emerging industry clusters in water, wind and forest products have the potential for better than average growth in employment and revenue in the years to come. Private sector initiatives, targeted tax credits and technical assistance from state colleges and universities may help speed development of these important cluster opportunities.



Moderator: Marc Marotta, Partner, Foley & Lardner
Panelists: Kim Bassett-Heitzmann, President and COO, Bassett Mechanical; William Johnson, President, Johnson Timber Corp.;
Barry Grossman, Of Counsel, Foley & Lardner;
Jeff Smoller, Special Assistant to the President, UW System



Moderator: Marc Marotta, Partner, Foley & Lardner
Panelists: Tom Still, President, Wisconsin Technology Council; Paul Carbone, Director of the Private Equity Group, Robert W. Baird & Co.

PANEL 4: FINDING THE CAPITAL

Wisconsin start-up companies find it challenging to attract the capital they need, particularly as they move beyond early stage seed money and into second phase operations. However, the State of Wisconsin Investment Board is stepping up to provide considerable venture funding while balancing the state's economic needs with the board's fiduciary duties to state retirees. Meanwhile, Accelerate Wisconsin, part of Gov. Jim Doyle's Grow Wisconsin agenda, is improving access to venture capital by expanding the capital gains exclusion for investments in qualifying business and increasing the tax credits available to angel investors.

KEY FINDINGS

TAXES MATTER

Every panel, regardless of their specific focus referenced the importance of a reasonable, growth-oriented tax system. Panelists, depending on their focus, identified different positive and negatives about Wisconsin's current structure. Nearly everyone, for example, applauded Act 255 — the state's recent efforts to attract more venture capital with specific tax incentives for investors. Some raised serious concerns about Wisconsin's ability to keep or attract entrepreneurs and wealthy individuals without significant changes in the state's income tax and also argued that Wisconsin needed more tools to encourage business expansions and attract new businesses.

EDUCATION AND TRAINING MATTER

Discussion throughout the day, and the very real contributions from the members of the academic community, underscored the critical importance of Wisconsin's preK-12 system and advanced education in the state's economic development efforts. Concerns were raised repeatedly about the problems challenging the Milwaukee public schools. There was also nearly universal recognition of the significant training and research and development capacity these systems provide. Some panelists talked about the need to encourage research and development at all the UW campuses, while others encouraged more collaboration amongst campuses and with the business community.

INFRASTRUCTURE MATTERS

Panel members talked about the difficulty of flying in and out of key Wisconsin markets, the critical importance of the Wisconsin state and federal highways, the need to take a close look at the growing importance of light rail and other rapid transit systems as internal and external commercial and manufacturing links. They also talked about the importance of the state's waterways, particularly in light of the growing interest in water management as a cluster industry. Interestingly, however, there was also talk about the need to energize, focus and perhaps expand Wisconsin's economic development infrastructure, including the need for a statewide economic development policy.

COMMUNICATION MATTERS

The need for greater communication was voiced throughout the day. Cluster industry advocates bemoaned the fact that not enough people saw the potential of certain clusters, but then acknowledged that even they were not aware of new developments in some areas. Business and academic leaders and policy-makers applauded current efforts, but said even more needs to be done to harness and focus the potential synergies available amongst the sectors. Pointing out that business leaders want to talk to their peers when considering relocations and expansion, a number of panelists made the point that representatives of the business community need to be more engaged in the process.



Message from WBC Board Chairman Scott VanderSanden

The Wisconsin Business Council's first Policy Forum exceeded expectations and allowed your Board of Directors to begin the process of identifying actions that will improve Wisconsin's business climate and help re-energize our economy. To that end, the Board is discussing our initial findings and beginning to develop specific recommendations for member review and input. That document should be ready for distribution before the end of the year.

I must also tell you that the enthusiasm and diversity of the audience, including as it did leaders from the business, agri-business, academic and governmental communities, encourages us to believe that we can create a broad-based collaborative effort in support of such an agenda.

Our next Policy Forum, currently scheduled for March 2010, will focus on Work Force Development and Training. We will make a formal announcement as soon as the details are confirmed, and we sincerely hope you will join us.

In the mean time, please stay in touch. Give us your feedback on this report, and let us know what we can do to help you and Wisconsin's economy.

Scott VanderSanden
Chairman of the Wisconsin Business Council Board of Directors
President, AT&T Wisconsin

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Please join us for the next Policy Forum
Work Force Development and Training
March 2010

For video coverage of the Economic Development Policy Forum, a list of statewide resources or more information about the Wisconsin Business Council, please visit www.wibusiness.org



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