Wisconsin Chamber of Commerce Executives

September 2015
Agenda

State of Wisconsin’s Business Climate

- Wisconsin Economy 101
- Recent Reforms
- Metrics that Matter
- Challenges
- The Future Wisconsin Project
Wisconsin Economy 101

Bipolar economy

- Good News/Bad News
  - ▲ Unemployment rate down
  - ▼ Labor participation rate lowest in 37 years
  - ▲ Consumer confidence up
  - ▼ Industrial production drops to 2009 levels
  - ▲ Housing sales up
  - ▼ Export orders down
  - ▲ Business optimism up
  - ▼ GDP Lower than expected
Wisconsin Economy 101

Drivers (% of GSP)

- Manufacturing (21.3%)
- Government (11.3%)
- Health Care (9.9%)
- Tourism (3.4%)
- Agriculture (3.1%)

SOURCE: Data from 2013 U.S. Bureau of Economic Analysis
Drivers (% of GSP)

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Wisconsin Economy 101

Make it, Mine it or Grow it

Versus

Redistribution service economy
Wisconsin Economy 101

Gross State Production (2014)

Wisconsin Economy 101

Job Growth Ranking (2014)

Wisconsin Economy 101

Income Growth (2014)

Recent Reforms

100+ Pro-Business Reforms

- Act 10
  - $3 billion in savings and counting
- Right to Work
- 3 Rounds of Tax Cuts
  - $2 billion total
- Civil Justice Reform
- Asbestos Trust Transparency, Medical Malpractice, Product Liability
- Iron Ore Mine Permitting Reform
- Unemployment Insurance Reform
- Manufacturers and Agricultural Production Tax Credit
- Workforce Training Investments
  - $100 million investment
Metrics that Matter

- Unemployment Rate
- State Fiscal Condition
- Business Confidence
Metrics that Matter

Unemployment Rate (Aug. 2015)

- 4.5% - Wisconsin (9.2% in 2009-10)
- 5.1% - U.S.

- **Lowest Counties**
  - 3.2% - Dane
  - 3.5% - Calumet
  - 3.5% - St. Croix
  - 3.6% - Sheboygan
  - 3.6% - Trempealeau

- **Highest Counties**
  - 11.6% - Menominee
  - 8.5% - Iron
  - 7.4% - Bayfield
  - 7.2% - Forest
  - 6.8% - Sawyer
Metrics that Matter

Workforce Paradox

- 6.1% - Racine County
  - Amazon can’t find enough workers
Metrics that Matter

Unemployment Rate

- 5.2% - Milwaukee
  - 19.9% for African Americans – Highest in the nation
    - 57% for African American males
Unemployment Rate (August 2015)

Metrics that Matter

State Fiscal Condition

- Surplus or Deficit?
Metrics that Matter

State Fiscal Condition

- Surplus or Deficit?
  - $71.6 million – 2014-2015 (Unofficial until Oct. 20)
    - Up from $254k in last projection
  - $86 million – Planned surplus in 2015-17 budget
Metrics that Matter

State Fiscal Condition

- $280 million – Rainy Day Fund balance
- Bond Ratings
  - Aa2 – Moody’s
    - Aa1 for some state bonds as of June
  - AA – S&P
  - AA – Fitch
- Funded State Employee Pension System
- Tax collections 0.5% above projections (August)
Metrics that Matter

Business Confidence
Business Confidence

- 91% of business leaders say state headed in right direction (June)
  - Down from 96% in January
  - Up from 10% in waning days of Doyle Administration
Metrics that Matter

**Business Confidence**

- 91% of business leaders say state headed in right direction *(June)*
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- 12th best – *Chief Executive Magazine*
  - Up from 43rd in 2009
Business Confidence

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- 12th best – *Chief Executive* Magazine
  - Up from 43rd in 2010

- 13th best – *Site Selectors* Magazine
Challenges

Wind sock economy?
Challenges

Wisconsin doesn’t control its own economic destiny

- Federal policies
- Global economic, geopolitical instability
Challenges

Workforce

- Low birthrates
- More Baby boomers than Millennials
- Brain drain
- Negative migration
- Federal immigration reform needed
Challenges

Energy; Some Good

- Industrial “frac” sand mining
  - Employed 189 people in 2002
  - Between 2,880-4,230 people employed today
    - Average mine creates 10 non-mining jobs
  - 45 active mines (29 inactive)
- Challenge: Local regulations
Challenges

Energy; *Mostly Bad*

- EPA War on Coal
  - Ozone
    - $25 billion compliance cost
    - $56 billion lost GDP from 2017-2040
  - Clean Carbon Plan
    - $10 billion in direct costs in WI
    - $28 billion in lost economic activity over 20 years in WI
- Boiler MACT
  - $470-$570 million estimated compliance costs
  - 7,500 – 9,100 lost jobs
Challenges

Milwaukee/Madison (Wisconsin’s Twin Cities)
Challenges

Taxes

- Stuck in the “Infamous Top 10”
- Wealth drain
Challenges

Systemic Governmental Inefficiency

- 2,379 taxing units of government
  - Counties, Cities, Towns, Villages, School Districts, Technical Colleges
  - Municipal police departments
    - 429 in Wisconsin (population: 5.7 million)
    - 321 in California (population: 38 million)
- Medicaid
  - $1 billion increase in this budget
- Corrections
- Complicated K-12 School Funding Formula
- Expensive Post-Secondary Education Delivery System
  - 13 4-year UW campuses
  - 13 2-year UW campuses
  - 75 UW Extension locations
  - 16 Technical College Campuses
    - 49 locations
State GPR Spending, 2014, $ Millions

- School Aids, $5,142.2, 35%
- Medical Assistance, $2,305.5, 16%
- Corrections, $1,167.3, 8%
- UW System, $1,151.0, 8%
- Property Tax Credits, $895.7, 6%
- Shared Revenues, $822.6, 6%
- Tax Relief to Individuals, $234.5, 1%
- Community Aids, $184.6, 1%
- Other, $2,770.5, 19%

Wisconsin’s Chamber
Challenges

Transportation Infrastructure Funding

- Bonding
- Gas tax (UT, ND, IA)
- Vehicle registration fee
- Tolling
- Sales tax (SC, failed in MI)
Challenges

Business Start-ups

- Angel capital access
- Crowdsourcing?
- Are we hip?
Challenges

State’s Image; *the Good*

- Packers
- Badgers
- Work ethic
- Quality of life
- Cost of living
- Schools
- Wisconsin nice
- Hollywood -- lovable
Challenges

State’s Image; *the Bad*

- Polarized
- Hollywood -- dated
- Cold
- Overweight
- Fly-over country
Challenges

Strong dollar

- Manufactured exports
- Agricultural exports
- International tourism
Future Wisconsin Project

Q: Who is in charge of Wisconsin’s future?
Future Wisconsin Project

Q: Who is in charge of Wisconsin’s future?
Q: Who is planning for Wisconsin’s future?
Future Wisconsin Project

A: “We” are
A: No one
Future Wisconsin Project

A 20 year strategic plan for the economic future of Wisconsin
Future Wisconsin Project

Quality Competitive Indicators

1) Talent Development, Attraction and Retention
2) Business Competitiveness
3) Global Engagement
4) Government Effectiveness
5) Life Quality
6) Entrepreneurial Spirit
Future Wisconsin Project

WMC’s 2015 To Do List
Future Wisconsin Project

WMC’s 2015 To Do List

- Study Wisconsin’s image
  - Nationwide survey
Future Wisconsin Project

WMC’s 2015 To Do List

- Study Wisconsin’s image
  - Nationwide survey
- Develop and promote better jobs projection mechanism
  - What careers will be available and what training is needed to fill them?
Future Wisconsin Project

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  - What careers will be available and what training is needed to fill them?
- Develop a dashboard
Future Wisconsin Project

2nd Annual Future Wisconsin Economic Summit
December 9, 2015
Monona Terrace, Madison
Thank you

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