

PROGRESSIVE RECOVERY

A real plan for Wisconsin jobs

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EXECUTIVE SUMMARY

Wisconsin's next governor, Milwaukee Mayor Tom Barrett, recently put forward a bold and ambitious plan to restart Wisconsin's economy and create enough jobs to sustain it. His proposals, if enacted, will surely result in more Wisconsinites at work, more communities thriving and more families succeeding.

Mayor Barrett also said recently that he wants his Lieutenant Governor "focused like a laser" on attracting, retaining and creating jobs. Anyone who knows Mayor Barrett's character knows that he wants this lieutenant to help champion and enact his proposals, but he also wants someone to bring job creation experience and even more ideas to the table.

It is in this spirit that Henry Sanders presents *Progressive Recovery*. The 18 proposals contained herein come from Henry's career as a job creator in the public, private and nonprofit sectors. They also come from the advice Henry sought from a group of proven job creators, including business owners, high-tech innovators, labor leaders and economic development professionals.

In long and detailed conversations with these economic leaders, Henry learned that now, more than any time in recent history, government matters. Economic experts from across the political spectrum agree that the private sector cannot deliver us from the global fiscal crisis alone. New, public-private partnerships must be formed to tackle these issues head on. Government must do its part to create the necessary incentives and infrastructure for existing businesses to build the next generation of laboratories and factories. To attract new businesses, it must take the lead to train and retain the best and brightest workforce. Government must build, support, and maintain the best education system from kindergarten through doctoral studies, and fund the research to spin off new businesses. It must lay the fiscal and regulatory foundation not only to compete, but to be a global leader in tomorrow's technologies, particularly in renewable energy.

In short, the states and regions that will thrive are those that implement fresh ideas and new public-private partnerships to bring together three key economic resources:

- 1) An educated, resourceful, and diverse workforce
- 2) Modern infrastructure, including broadband and transit
- 3) The fiscal priorities, economic incentives, and capital needed to invest in the future

Henry Sanders' *Progressive Recovery Plan* encompasses these key components to create and retain jobs in Wisconsin. This plan draws on Henry Sanders' real world job creation experience – and the expertise of business, labor, education, and community leaders across the state – to offer a comprehensive and achievable path to economic recovery in our state.

Implementation of these targeted proposals will improve the way we do business in Wisconsin. Government programs designed to aid in economic development will be streamlined and made more accessible to those who utilize them. Current initiatives will be modernized and strengthened to reflect Wisconsin's new economic realities. And the overall role of the state's economic agencies will be retooled with a laser-like focus on short and long term job creation. Many of these reforms come without additional cost to state taxpayers.

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Relocate Critical Business Assistance Programs

As Tom Barrett highlighted in his plan to create Wisconsin jobs, all organizations can benefit from occasional reorganization to improve efficiency – and state government is no different. The state currently offers a bevy of resources aimed to assist businesses in creating jobs. These programs cover a range of issues from entrepreneurship and research grants to permits and licensing, and are spread across two-dozen departments and councils.

Relocating the oversight of critical business programs into a ‘Jobs Office’ will create a much-needed ‘one-stop-shop’ for businesses and other entities partnering with the state in job creation and retention efforts.

Consolidate the Departments of Commerce, Workforce Development & Financial Institutions

The creation of the Office of Economic Development is critical in providing a ‘one-stop-shop’ for oversight of jobs programs. By taking this key Barrett initiative an additional step further and consolidating the Departments of Commerce and Workforce Development, we can further streamline government resources dedicated to our state’s economic wellbeing.

With direct accountability to the governor’s Office of Economic Development, the consolidated *Department of Job Creation & Economic Development* will house all programs devoted to job creation and retention, workforce development, and overall economic growth. Initiatives from the Office of Energy Independence, Economic Advisors, Technical Colleges, Workforce Boards, job placement programs and apprentice certification will all be housed under one roof. Programs extraneous to the core mission of job creation will be re-aligned to more appropriate agencies. For example, bank and building code regulation should be relocated to the Department of Regulation & Licensing.

Public and private sector professionals are in wide agreement that an assessment and realignment of the state’s current organizational structures will improve efficiency and maximize staff productivity. Maximizing these resources within a one-mission Department of Job Creation & Economic Development will streamline bureaucracies, eliminate duplication and waste, and make the state’s business assistance efforts more easily understood, transparent, and effective.

Match Federal SBIR grants

The Federal Small Business Innovation Research grant program (SBIR) seeks out and provides funding for some of the best early-stage innovation ideas that are too high-risk for private investors, including venture capital firms. This program is so competitive that in 2008 there were about 30 Phase II SBIR grants awarded to about 20 companies in Wisconsin. By matching these federal grants with a state grant like Kentucky does, Wisconsin can leverage its high tech capital with extremely low administrative costs, bolstering our high tech economy. State Escheat funds may be a potential source of funding Federal SBIR matching grants. Escheat funds are discussed in more detail in the following section, but their application to this method of increasing access to capital would also ensure taxpayers would not see increases in their taxes.

Invest State Escheat Funds in Wisconsin Businesses

Escheat funds are unclaimed properties and monies that are housed by the State Treasurer's Office. The fund averages more than \$300 million at any given time. Through the Office of Commissioners of Public Lands, interest accrued on Wisconsin's escheat funds is currently used to offer low-interest loans to municipalities, school districts, and other units of local government – averaging over \$10 million per year. By authorizing the Treasurer to invest up to 20% of the Escheat Fund in venture and seed funds for early stage businesses, similar to a program introduced in North Carolina in 2004, Wisconsin can create long-term economic benefits for the State. These investments would be used for the creation or retention of jobs – leading to higher wages, tax revenues, and other economic growth.

One method for increasing the availability of escheat funds would be to introduce a new statute of limitations regarding unclaimed property. For example, if property remains unclaimed for fifteen years, then the property could be considered state owned and it could then be used to increase funds availability for economic development.

Expand the State Infrastructure Bank

State Infrastructure Banks (SIBs) serve as a flexible and useful tool to meet a state's project financing demands, stretching both federal and state dollars. Through the SIB financing mechanism, states can leverage additional transportation resources, accelerate construction timelines for projects with dedicated revenue sources, and recycle assistance for future transportation projects. SIBs can be used in conjunction with traditional finance approaches and other innovative tools to maximize transportation infrastructure investment. By offering SIB support for a project, the sponsor may be able to attract private, local, and additional state financial resources, leveraging a small amount of SIB assistance into a larger dollar investment. Alternatively, SIB capital can be used as collateral to borrow in the bond market or to establish a guaranteed reserve fund. Loan demand, timing of needs and debt financing considerations are factors to be weighed by states in evaluating a leveraged SIB approach.

According to Wisconsin's Department of Transportation, the creation of the State Infrastructure Bank (SIB) was conceived of in order to "create state 'banks' to complement traditional transportation grant programs and provide states with flexibility to offer many types of financial assistance" for infrastructure development. Wisconsin's SIB is administered by the Wisconsin Department of Transportation. The SIB was created using \$1.5 million of federal seed money and a \$300,000 state-funded match. The total amount available for loans at the start of the SIB program was \$1.875 million. Currently, the program has only \$700,000 available for loan applicants.

Wisconsin can do better by growing this program and increasing the dollars that it matches for this fund. Potential sources of new funds could be escheat funds discussed earlier in this document. This will allow Wisconsin communities to make the investments needed to ensure long-term economic growth for Wisconsin.

Create a Next Generation Smart Energy Grid

Wisconsin's energy infrastructure was designed to transport electricity from a nearby coal plant to customers' homes and businesses. In order for Wisconsin to take advantage of our vast green energy potential and drive down costs, Wisconsin needs an automated, widely distributed energy delivery network that allows a two-way flow of electricity and information, and enhanced monitoring. Such a "Smart Grid" would serve as an "Energy Internet" to deliver real-time information and enable the near-instant balance of supply and demand on the electrical grid.

Implementing new Smart Grid technologies will create numerous jobs related to the production, transmission, and consumption of energy and help Wisconsin to increase the reliability, efficiency, and security of our electrical system, encourage consumers to reduce their energy use, and integrate all energy sources into the grid.

Increase Tax Credits for Next Generation Windmill Factories

Wisconsin's manufacturing base is one of the strongest in the world, but it needs to be retooled to meet the changing demands of tomorrow's energy systems. We need to create a Green Energy Manufacturing Tax Credit program to help establish Wisconsin as a greentech manufacturing leader by encouraging investment in new factories to build a new generation of windmills. Creating a tax credit equal to 50% of an eligible investment made in a qualified Wisconsin green energy manufacturing company during the taxable year will secure Wisconsin's manufacturing future.

The Green Energy Manufacturing Tax Credit program could complement the existing Qualified New Business Venture (QNBV) Tax Credit. The QNBV credit is currently available to new ventures that are focused on 'new economy' operations – including biotechnology, high tech, and green energy.

Put Agricultural Waste to Work

The State of Wisconsin is making huge leaps on the issue of turning agricultural waste from an environmental hazard to a source of green energy and high value products. The State has invested with communities across Wisconsin to build waste transformation plants, and the Department of Agriculture, Trade and Consumer Protection is working to help farmers boost their earnings through trial programs to turn manure into a valuable commodity.

Expanding state grant programs and funding pilot projects through low interest loans will allow Wisconsin's agriculture industry to convert locally-derived manure into pelletized, transportable value-added products that can be used as green fuels and effective fertilizers.

Create a Statewide Buy Wisconsin Initiative

Wisconsin produces some of the best products and services in the world, and it is our responsibility to lead the way in promoting them. We should start by redesigning and re-launching SavorWisconsin.com, a comprehensive online directory for Wisconsin food and agricultural products which has more than 1,100 registered businesses including farmers markets, restaurants, and stores featuring Wisconsin products. This will connect Wisconsin producers with Wisconsin consumers, and consumers around the world.

To further promote Wisconsin products, we need to certify products as “Made in WI” and give those products preferential treatment in all state purchasing.

The “Buy Wisconsin” initiative could easily take a form similar to the “Buy American” Act of 1933. The act in Wisconsin, like the Federal Act, would promote the preferential purchase of locally manufactured products or services – in this case, products and services originated in Wisconsin. Such a preference could be officiated using legislation that would allow for tax credits for purchases of Wisconsin made products or services provided by Wisconsin based businesses. Bids from Wisconsin based businesses for infrastructure development projects would also receive preferential status in the bid review process.

Reinvigorate the Wisconsin Idea through Technical Colleges & Regional Economic Development Groups

Training students in Wisconsin for jobs in Wisconsin can create a clear path to employment. The Wisconsin Idea, rooted in the state’s history, encourages the relationship between Wisconsin employers, Wisconsin students and our vast network of higher education institutions.

The Wisconsin Idea is largely championed by the University of Wisconsin and its system schools; however, leveraging the schools outside of Wisconsin’s public four-year universities, including the private colleges and technical college system, could expand the effectiveness of the Wisconsin Idea and make it accessible to students beyond the University of Wisconsin system.

On the employer side, facilitating the relationship between Regional Economic Development Organizations and the schools that surround them could further ensure that the students graduate from their respective schools with the skills needed to begin fulfilling and well-paying work nearby.

Southeastern, Southwestern, and South Central Wisconsin are currently part of the Second and Third Generations of federally supported Workforce Innovation in Regional Economic Development (WIRED) grant recipients. The WIRED program is managed and funded by the Department of Labor’s Employment and Training Administration. This innovative program “stresses the critical role talent development plays in creating effective regional economic development strategies.” Expanding the program’s effectiveness by leveraging lessons learned through the successful implementation of this program in Southern Wisconsin to the entire state could have a very positive effect on employment outcomes for students graduating from schools of higher education in Wisconsin. Southeastern Wisconsin is part of the “Second Generation” of WIRED implementation nationally and South Central and Southwestern Wisconsin is part of the “Third Generation.”

Create a Council on Small Business

Small businesses are an integral component of Wisconsin's economy. From corner stores and family farms to construction contractors and tech startups, these businesses employ a significant portion of the state's workforce, and help to make Wisconsin the unique and great state that it is.

Supporting these businesses by understanding their strengths, weaknesses, opportunities, and challenges is critical to our state's economic viability. As Lieutenant Governor, Henry Sanders will convene a council of small business leaders from key sectors to help state policymakers and regulators better understand and address their needs.

Create a Tax Credit for CDFI Investment

Non-profits are responsible for employing nearly one in five Wisconsin workers. By expanding the capacity of Community Development Financial Institutions (CDFI) to lend money to non-profits, Wisconsin can further expand this sector of our economy. Similar to the State of California and bipartisan legislation already proposed in Wisconsin, the Department of Commerce would certify a person who makes a qualified investment in a registered CDFI to receive a credit against state income and franchise taxes and against license fees paid by insurers. A "qualified investment" as a loan or deposit that pays no interest of at least \$10,000 that is made for a minimum of 60 months and over which the CDFI retains complete control for the duration of the investment period. Such investments in CDFIs could be leverage up to 12-1 allowing for a huge expansion in non-profits for a very small investment by the state.

Create a Council on Philanthropy

Supporting the non-profit sector and the work it does to sustain Wisconsin communities is essential. In many instances, Wisconsin's philanthropic community is the quiet supporter of this sector, with little recognition or assistance from state government. The investments of these unsung heroes are less often acknowledged because their return on investment is measured in the hard-to-quantify area of improved quality of life for Wisconsin families. Philanthropists are to the non-profit sector what angel investors are to the for-profit sector, and their investment in our state is equally important.

Supporting the philanthropic community that forms the backbone of our non-profit sector is a top priority for Henry Sanders. As Lieutenant Governor, Sanders will convene a team of Wisconsin's most strategic philanthropists to open up a dialogue and give them greater voice in the overall process. By better understanding the motivations, investment decisions, and needs of these key investors, the Council on Philanthropy will make proactive policy recommendations to the Governor and Legislature.

Implement Best Value Contracting Policies

Wisconsin law currently requires that public contracts at the state and local level be awarded to the “lowest responsible bidder.” In effect, many projects – from technical assistance to major construction – are awarded based on cost alone. While these policies certainly reduce the immediate costs, they have also often forced a race-to-the-bottom, resulting in the usage of lower-quality input products and sub-standard work. Lowest responsible bidder policies have also been known to ignore previous performance and product quality issues. In many cases, the necessary repairs, replacements, and additional work hours cost the taxpayer significantly more in the long run.

As a result, government agencies across the country have explored and adopted alternative bidding procedures to improve the quality and efficiency of capital investments and minimize long-term costs. Best Value Contracting (BVC) is one of the most widely used bidding procedures to accomplish these goals, and has proved to be a successful alternative to lowest-bidder policies.

Best Value Contracting awards projects to contractors that meet the best combination of price, quality, technical expertise, and past performance, allowing government to look beyond the usual, more myopic up-front price comparison. BVC can also be used to prioritize the employment of local contractors and workers, maximizing the economic impact of these key investments within a community or state.

Project bids are still conducted using standard Request for Proposal (RFP) criteria – with all the usual public announcement and competition requirements. Up-front price remains the key criterion, but a weighting system is applied to other important factors, including past performance, safety history, training, expertise, and impact on the local workforce.

Wisconsin would not stand alone in its use of Best Value Contracting policies. Nearly 70% of federal construction spending has used BVC since 2001, and more than ten states have authorized the use of BVC for state and/or local projects. By authorizing and implementing Best Value Contracting policies, the State of Wisconsin and its local governments will take a more holistic approach to the bidding process, get more value from contractors, place a greater weight on getting local workers back on the job, and save millions of taxpayer dollars in the process. This program may complement the “Buy Wisconsin” initiative discussed previously in this document, in that one of the criteria for consideration would be the contractor’s origination, with those based in Wisconsin, or employing a majority of Wisconsin residents, receiving a preferential weighting.

Expand Helmets to Hardhats Initiative

The individuals who serve our country through military service should not face obstacles to employment when they return from their service.

Helmets to Hardhats is a nationally active program that bridges the gap between National Guard, Reserve, and transitioning active-duty military personnel and career training and employment opportunities within the construction industry. In many cases, these individuals return from active duty with significant technological expertise and on-the-job experience that can be of significant benefit to Wisconsin employers.

Participants in the program have access to information about careers and apprenticeships that can build on experience and training received in the field. Through the use of a central database, they can create a profile to improve communication with hiring managers and to highlight these considerable and transferable skills.

By partnering with national program leaders, in-state contractors, and the labor and veterans communities, the State of Wisconsin can help to increase employer familiarity with the Helmets to Hardhats program and positively impact employment. The creation of a state-specific website and a simple marketing campaign will provide significant assistance to transitioning military veterans seeking family-supporting jobs.

Restart the Cluster Hire Program

The Cluster Hiring Initiative was launched at the University of Wisconsin-Madison in 1998 and rolled out via an internal proposal process during a four-year period to provide an alternative to departmentally based hiring practices and norms. The interdisciplinary initiative was developed to support the expansion of knowledge that is arising, increasingly, from more than one discipline. In essence, the cluster initiative is an incentive plan designed to facilitate interdisciplinary strategic hiring by providing full salary support on an indefinite basis for faculty positions.

Re-establishing the Cluster Hire Program at the University of Wisconsin-Madison would allow for the unique interdisciplinary work that so often precipitates entrepreneurship. Bringing together disparate groups of academics undeniably spurs innovation, and the framework to do this is already established. In fact, the Cluster Hire Program is considered historically successful and would require only rejuvenation – not reinvention.

Working with the University of Wisconsin-Madison and the system schools to garner support and to reinvigorate the champions of this program would undoubtedly have long-term payoffs.

Guarantee Equality for All Wisconsin Families

In a tough economy, cities, regions and entire states must do everything they can to compete. That means providing the best infrastructure, talent pool, and economic incentives necessary to attract and retain jobs. Among the most important factors businesses consider as they seek out sites to locate or expand operations is workforce.

Marriage equality would lead to a significant immediate windfall in the tourism and hospitality industries, sectors that have especially suffered during the recent recession. A study by UCLA's Williams Institute projects that recently-enacted marriage equality policies in the District of Columbia would grow the city's economy by over \$52.2 million over the first three years. The local tax base is expected to jump by \$5.4 million as a direct result of marriage equality. More than 700 new jobs will be created almost immediately through increased marriage licensing needs, tourism, and other work related to the wedding industry. This immediate positive impact results from a population only one-tenth of that of the State of Wisconsin.

Perhaps more important, however, are the long-term implications in terms of human capital. Studies show that the next generation of workers increasingly choose a place to live first, and then find a job there. These same workers are more attracted to places they see as inclusive, places that accept and embrace people of all races, backgrounds and family types. As the economy continues to evolve, and the aging Baby Boom generation retires, attracting and retaining these workers will become increasingly important for the health of Wisconsin's economy.

Since 2006, discriminatory language directed against marriage equality written into our state's constitution has directly hampered Wisconsin's ability to attract and retain the human capital necessary for economic development. In the public sector alone, tens of millions of dollars in research grants and federal funds have been lost due to the departures of university faculty. For example, three recently departed faculty members interviewed by a Madison newspaper cited inequality concerns as a major factor in their decision. The departures resulted in a loss of nearly \$10 million in grants and dozens of staff positions. This trend will only worsen over time, with a ripple effect that will be felt across the public, private and non-profit sectors.

Conversely, a significant number of highly-skilled workers would be attracted to Wisconsin in order to take advantage of benefits such as inheritance and medical protections. In addition to Washington, DC, Connecticut, Iowa, Massachusetts, New Hampshire, and Vermont, have all capitalized on these economic benefits by guaranteeing full equality for all couples.

The private sector already knows this. More than half of Fortune 500 companies – and upwards of 83% of the Fortune 100 – offer full benefits to all couples, regardless of gender, as do more than 7,500 major corporations nationwide. They do this because they need to remain competitive. It is far past time for the state government to catch up.

For our state to compete economically in a national and global marketplace, we must take the necessary steps toward guaranteeing full equality for all couples in Wisconsin. As Lieutenant Governor, Henry Sanders will take the lead in drafting legislation to repeal the discriminatory amendment and pave the way to equality for all Wisconsin families.

Create a Council on Young Professionals

Wisconsin has an amazing network of public, private, and technical colleges, and is graduating thousands of skilled professionals each year. Many of these talented young professionals leave Wisconsin once their degrees have been granted, creating a "brain drain" that negatively impacts Wisconsin's economy.

Fostering an improved environment for young professionals in all of Wisconsin's communities will improve our state's economy. As the founder of two non-profit organizations dedicated to brain drain and entrepreneurship issues, Sanders has experience addressing the needs of this important demographic.

As Lieutenant Governor, Henry Sanders will convene a council of regional leaders of Young Professionals organizations to help state and local policymakers better understand and address the needs of this key community. The council will forward public policy recommendations to these stakeholders to help stem the tide of lost talent in Wisconsin, and better position our state to compete nationally.