

# Report of the Wisconsin Economic Summit

November 29-December 1, 2000

Midwest Express Center

Milwaukee, Wisconsin

[www.wisconsin.edu/summit](http://www.wisconsin.edu/summit)

## Executive Summary

The Wisconsin Economic Summit was held November 29-December 1 at the Midwest Express Center in Milwaukee. The Summit, hosted by the University of Wisconsin Board of Regents and the UW System, was a statewide conversation on the future of Wisconsin's economy. The focus was on seven key areas:

- Building Quality Jobs;
- Enlarging Venture Capital Investment;
- Improving the Regulatory Climate;
- Educating the Workforce;
- Improving Wisconsin's Fiscal Future and Entrepreneurial Climate;
- Enhancing Key Infrastructures; and
- Building a Distinctive Brand/Image to Position Wisconsin as a Technology and Fast-Growing Jobs Leader.

In preparation, each Wisconsin region presented its own economic goals and plans, based on regional listening sessions that took place in the three months leading up to the Summit. In addition, more than 50 white papers on these topics were prepared and read by participants in advance of the meeting.

More than 900 people attended the three-day Summit to hear 70 presentations on the key topic areas. Distinguished speakers included Wisconsin Governor Tommy G. Thompson, Wisconsin Lt. Governor Scott McCallum, John Morgridge, Chairman of the Board of Cisco Systems, Christopher Lochhead, Chief Marketing Officer of Scient Corporation, Arthur J. Rolnick, Senior Vice President of the Federal Reserve Bank of Minneapolis, and the legislative leaders of the Wisconsin Senate and Assembly. The Summit was an unprecedented coming together of leaders in business, government and education to create a blueprint for Wisconsin's future. The Summit resulted in the

creation of a significant body of new knowledge, in the form of white papers and presentations, in the seven key areas listed above. The Summit created new synergies and partnerships within and between the business, labor, education and government sectors. It identified regional and statewide activities for maximizing the success of existing, emerging and potential new sectors of economic activity and it marked the start of a serious commitment from business, education and government to work together to create a set of realistic goals and a road map to ensure Wisconsin's long term economic vitality and success.

In addition, a number of action items were identified as part of the Summit and are enumerated later in this report. These include:

- Modernizing Wisconsin's image and visibility as an attractive place for young people to live, work, start businesses and raise families;
- Linking economic strategies across regions for "power through collaboration";
- Boosting available venture capital through creation of "angel" funds and other investment vehicles;
- Combating brain drain by increasing high tech jobs; boosting computer science, biotechnology, information technology and other graduates; expanding e-business courses; and linking Wisconsin's research expertise with Wisconsin firms to grow clusters of knowledge-based jobs; and
- Strengthening Wisconsin's infrastructure in telecommunications, air service, and energy (through a "reliable energy" policy) to ensure future conditions for growth.

## **Pre-Summit Activities**

### **Introduction**

Earlier this year, a group comprised of community leaders, University of Wisconsin System officials, and business executives began an informal discussion about the changing nature of Wisconsin's economy. That discussion focused on the potential role the university could play in helping shape short-term plans, long-term strategies, and new initiatives to promote Wisconsin's continuing economic vitality.

Meeting monthly since February, the group heard from two distinguished national leaders on economic development in the technology-based "New Economy": John Morgridge of Cisco Systems and Charles Hamner of the North Carolina Biotechnology Center. Their experience and advice, and their national and international perspectives, convinced the group that there needed to be a broad-based conversation in Wisconsin about the future direction of the state's economy.

The result of these meetings was the first-ever Wisconsin Economic Summit, held November 29-December 1 at the Midwest Express Center in Milwaukee. The Summit launched a lively dialog about a host of issues, and elicited a wide range of input from citizens and leaders of government, business and education.

From this input, including commissioned "white papers" and regional listening sessions, a set of realistic goals and a "road map" of Wisconsin's path into the 21st century emerged. The Summit report provides a useful guide that policymakers at all levels can use to help carry the conversation into the boardroom, the legislative chamber, and the classroom.

### **Wisconsin's Economic Challenge**

The globalization of markets, the influence and penetration of technology, projected trends in worker availability, and significant shifts in the growth and composition of income are significantly changing Wisconsin's economic landscape. Among the questions raised by these realities:

- Is Wisconsin prepared to capture its share of quality jobs for rapid growth in the 21st century?
- What opportunities are there to grow traditional sectors of the Wisconsin economy?
- What are the impediments to creating, nurturing and growing the technology and fast-growing jobs necessary to sustain and build a high-income workforce?
- Why is only four-tenths of one percent of the venture capital invested in the country making its way to Wisconsin?

These questions and many more point to the need for a strategic vision for

capitalizing on the opportunities of the New Economy. The UW System and the Board of Regents, in partnership with business and other interested parties across Wisconsin, are dedicated to doing just that. The Summit focused on seven key topics of paramount concern to the whole state. They provided a framework for Summit planning --

1. Building Quality Jobs;
2. Enlarging Venture Capital Investment;
3. Improving the Regulatory Climate;
4. Educating the Workforce;
5. Improving Wisconsin's Fiscal Future and Entrepreneurial Climate;
6. Enhancing Key Infrastructures; and
7. Building a Distinctive Brand/Image to Position Wisconsin as a Technology and Fast-Growing Jobs Leader.

While Wisconsin has done well economically over the past decade, demographic and other changes forecast potentially stressful times for Wisconsin's economy in the not-too-distant future. Trends in the growth and composition of income, consumption, employment, business creation and population raise important questions for the Badger State that demand a closer look. They offer, as well, guidance for crafting a strategic vision that can capitalize on the opportunities of the New Economy.

Wisconsin has come a long way since the economic downturn of the 1980s. Much credit goes to the Governor and Legislature for making strategic investments in business, industry, and communities. That leadership, coupled with the hard work of many others, has resulted in the rebuilding and diversification of local economies. But we have an even longer journey before us.

### **Future Focus: Income**

The successful economies of the 21st century -- whether in Wisconsin, Illinois, Minnesota, Texas, or North Carolina -- will be knowledge-based, and they will depend on a constant and growing infusion of innovative ideas and processes into the marketplace. Wisconsin's reliance on manufacturing and agriculture will continue; however, growth opportunities will focus in value-added segments of those traditional sectors. Job in these traditional sectors will be balanced by significant new opportunities that are knowledge-based, global in scope, electronically interwoven and entrepreneurial in spirit.

The implications of this are far reaching -- and raise additional important questions:

- How do we compare with neighboring states in educating our workforce, retaining our college graduates, and attracting knowledge workers to Wisconsin?
- What does the future hold for Wisconsin's traditional industries?
- What economic benefits could be exploited by our unique location along the Chicago-to-Minneapolis corridor?

These questions are all the more urgent in light of the fact that Wisconsin has won the jobs battle, but is losing the incomes war. Despite nearly a decade of the lowest unemployment rates in the nation, the per-capita income in Wisconsin of \$25,079 remains below the national average of \$26,412.

Moreover, the gap between Wisconsin's per-capita income and the national average has actually grown in recent years. To understand what this means, consider that if the per-capita income of Wisconsin residents simply equaled the national per-capita income, there would be \$7 billion more buying power in our state. This alone could drop Wisconsin out of the top ten in personal tax rates.

### **Future Focus: Job Growth**

We also know that future income growth for Wisconsin cannot come just from creating new jobs in existing industries. Wisconsin has the highest labor participation rate in the U.S. This means we have a very small pool of potential new workers. In Wisconsin, nearly everyone who can work is now working and at the end of the next decade, our labor force will actually start shrinking. By 2010, Wisconsin will be short an estimated 100,000 workers. Economic growth for Wisconsin's future can only come by growing incomes through "brain gain" jobs -- higher paying, knowledge-based jobs -- and from upgrading productivity in traditional sectors.

As Wisconsin makes its push for new footing on the global economic stage, it is not alone. Other states likewise are developing strategic plans that incorporate private- and public-sector partnerships and initiatives. They are investing in education. They are attracting venture capital to support new businesses. They are examining tax and regulatory issues. They are building distinctive state identities to position themselves strategically as biotechnology and high-tech leaders. And they are pursuing this course rigorously and efficiently.

This has two implications for Wisconsin. First, its current strong economic position could erode in the future as other states position themselves for growing knowledge-based jobs. Second, even if Wisconsin launches a knowledge-driven economic plan, it must build a smart and energetic strategy to ensure that its efforts are not outflanked by other aggressive states.

Michigan, Georgia, Illinois, Utah, California, North Carolina, Minnesota and many other states are moving aggressively to support high-technology research development initiatives, and other strategies for keeping competitive in the world economy. Large municipalities are also recognizing the need to implement new policies based on the needs of a rapidly evolving economy.

As New York City's Center for an Urban Future points out: "At the moment, things are going so well in New York City, it may seem an odd time to suggest major changes in the way the city frames its economic development policy. In fact, it's the perfect time for a change. It will require that we open our minds to a new economic order. With no real

economic plan, the city leaves itself vulnerable to a perennial cycle of boom and bust that other states have prepared against."

Here in Wisconsin, the state's largest newspaper recently noted that "...what worked fine in the past may not work well in the future, particularly in an economy as dynamic as ours."

### **Future Focus: Biotechnology**

As this decade begins to unfold, "economy under construction signs" will begin to show up along several key roads to growth in Wisconsin. Potentially the largest of these will go up on the UW-Madison campus, where Governor Tommy Thompson has proposed a \$317 million initiative to improve biotechnology research. Building four new cutting-edge research centers on campus will fuel UW-Madison's national leadership in the biosciences. The campus attracts more bioscience research funding than nearly any public university in the country, and advances in the lab at UW-Madison have already produced scores of new companies and high-paying jobs for Wisconsin citizens.

Biotechnology, however huge its economic payoff might be, is but one of many pieces to the puzzle. A recent study by the Wisconsin Taxpayers Alliance checked the pulse of Wisconsin as a competitor in the race to build a successful economy for the 21st century. The good news is that Wisconsin boasts some clear economic and educational advantages. The bad news is that Wisconsin has substantial room for improvement on key benchmarks.

A 2000 study by Competitive Wisconsin reveals that Wisconsin businesses are not penetrating the Internet world as aggressively as their competitors, and the state is far short of the venture capital needed to spawn cutting-edge firms. Specifically, the study shows 1998 venture capital investment in Wisconsin of \$14 per capita -- far behind the national average of \$72 per capita, and overshadowed by two key neighboring states (Illinois at \$37 per capita, and Minnesota at \$137 per capita). This gap is significant, because the amount of venture capital per capita is an important indicator of a state's entrepreneurial activity. The Competitive Wisconsin study also revealed that Wisconsin's share of national farm income is sliding and our share of national exports has dropped in recent years.

Equally important are the findings of a new study of what Wisconsin's economy will look like in the year 2010, prepared at the request of Governor Thompson. The study identified the need to improve our "technology profile" if Wisconsin is to succeed in growing incomes and creating the economic opportunities that will retain and attract workers.

### **Editorial Support**

Recognition of Wisconsin's current competitive position and potential performance is growing. Since the start of 2000, editorial writers around the state have observed:

- "To be sure, Wisconsin has some catching up to do. Of the average \$47 billion in venture capital invested nationwide in (each of) the last three years, Wisconsin only received about one-half of 1 percent." -- *Milwaukee Business Journal*
- "Minnesota and Wisconsin are as alike as any two states. But while 31 percent of Minnesotans age 25 and older have a four-year college degree, 23.3 percent of Wisconsinites have a degree, below the national average of 24 percent. In a knowledge-based economy, brain power equals earning power." -- *Wausau Daily Herald*
- "Biotechnology is nothing less than the cornerstone of Wisconsin's economic strategy for this century. It will require venture capital, a highly educated labor force and visionary land use and transportation planning. It will require discipline, integrity and courage. It will require cooperative planning by state government, business and the UW that will basically make education and research a state industry." -- *WISC-TV3, Madison*

Clearly, keeping Wisconsin's well-educated young people from leaving is a huge task and not something that will be solved in a month or a year. It will take time and effort. Attention must be focused on creating more better paying jobs and social opportunities for young people while keeping the quality of life high.

### **Future Focus: State Image**

A recent *Milwaukee Journal Sentinel* editorial made this telling statement about the image of the state:

"Fast forward to the year 2020. What will Wisconsin look like, economically? What will be the state's leading industries? Who will be the area's largest employers? What will be our major occupations? If you guessed the economy will still be tied to dairy farming, beer making, manufacturing and machinery, you're ... a generation removed from reality. Try biotechnology and biomedicine. Unless the state -- and southeastern Wisconsin, in particular -- can shed its reputation as risk-averse and financially conservative, it will fail to seize a rare opportunity to build a thriving commercial business and industrial base from the well-planned infrastructure the state and its universities have provided."

Leaders and experts in the private sector also have stepped forward to offer their ideas and concerns in this area. Consider this commentary by Marsha Lindsay, president/CEO of a Madison-based brand marketing firm serving Fortune 100 companies:

"When it comes to attracting the kind of business we want in our state, Wisconsin has a long history of hiding our strengths and accomplishments under our cheesehead hats. Maybe it's our Midwestern modesty, but we always seem to let others define who we are. Wisconsin has become a powerhouse in biotechnology. But if you were a California entrepreneur looking for a place to

launch a biotechnology company or a New York venture capitalist who wanted to invest \$10 million in such a firm, Wisconsin wouldn't even be on your radar screen. If we don't pull together to build a distinctive Wisconsin brand soon, we may lose our chance."

And there are many additional voices weighing in with perspectives on how to help build Wisconsin's future economy -- with ideas ranging from reducing the tax burden on individuals, to bringing corporate taxes more in line with those of neighboring states, to improving the graduation rates in Milwaukee public high schools, to improving access to air and rail transportation. Business, labor, local and regional economic development groups, educational institutions, elected officials, state government agencies, private consortia -- all of these have an important contributing role to play in the creation and implementation of Wisconsin's response to the challenges and opportunities of the New Economy.

### **Building a Wisconsin Economic Growth Strategy**

Fundamental to this process is the creation of a vehicle for drawing together the concerns, ideas and energies of the many and varied experts, constituencies and interested parties. What is needed is a statewide, high-level "conversation" on strategies for building Wisconsin's future economic success.

States with a leg up on Wisconsin discovered early in the game that economic growth in the dynamic, global, highly competitive New Economy first requires a common vision of the future, a strategic plan of action, and cooperative leadership in three key arenas -- education, the public sector, and the private sector.

Earlier this year, John Morgridge, a UW-Madison alumnus and chairman of the board of Cisco Systems, told the Summit planning group: "I cannot overstate the importance of establishing a successful and ongoing relationship between education, business, and state and local governments. This consortia is essential to your success as a state." He outlined three critical elements:

- Leadership by the business community can help to advance necessary policy to improve Wisconsin's tax and regulatory climate in the highly competitive, global, knowledge-based economy.
- Leadership by the educational system can help to advance needed improvements and investments, from K-12 through the UW System, for citizens of all ages and employment status.
- Leadership by the Legislature and Governor can enact public policy that leads to implementation of short-, medium- and long-term strategies to build Wisconsin's economy through quality jobs.

In Wisconsin, the UW System is uniquely equipped to serve as the catalyst for a statewide conversation on strategies for building Wisconsin's future economy. The UW

is a "neutral party," but an interested and essential partner nonetheless with business, government and the statewide community. Throughout its history, the university has met the needs of the state and worked hard to energize economic growth and development. The tradition of the "Wisconsin Idea" has long sought to put the University's resources to work in solving the needs of the state. Today, this role is even more critical in shaping Wisconsin's strategy for dealing with the changing economy. Indeed, the UW and the state have evolved together: the vitality of one is inextricably linked to the other.

## **Regional Listening Sessions and Outcomes**

In recognition of the fact that Wisconsin is not just an economy but a collection of regional economies, several months prior to the Summit five committees were established to invite public participation in the process of identifying strengths, weaknesses, opportunities and threats within regional economic sectors.

Through the summer and fall, more than 1,000 individuals contributed in the creation of regional economic development strategies and recommendations for statewide initiatives. Every region reported that this dynamic process brought together *all* parties -- business, professional services, education, elected officials, government workers, labor, the news media, entrepreneurs, traditional industries, high-tech industries -- for the first time to work as partners on regional economic issues.

Recurring themes emerged in several of the regional listening sessions. These included:

- The growing importance -- and lack -- of venture capital;
- The need to reward economic risk-taking;
- The urgency of maintaining a strong energy supply;
- The need for more high-tech job opportunities;
- The need to retain and attract high-skill workers;
- Calls for strengthening the road, rail, and air transportation infrastructure;
- Concerns about taxes and government regulation; and
- The need for consistent support of higher education.

Following is a synopsis of the regional efforts. More detailed information is available at the Summit website, [www.wisconsin.edu/summit](http://www.wisconsin.edu/summit).

### **MILWAUKEE AND SOUTHEASTERN WISCONSIN REGION**

**Chair: Nancy Zimpher, Chancellor, UW-Milwaukee**

Listening sessions were held in Fall 2000, in Milwaukee, Waukesha, West Bend, Racine/Kenosha and Mequon, and were attended by more than 300 representatives of business, labor, education, non-profit agencies and government. Additional opinions

were obtained from student focus groups on the UW-Milwaukee campus, and from the results of a study on issues of importance to the region's technology community conducted by the Metro Milwaukee Technology Alliance during Summer 2000.

Three distinct themes emerged: The region 1) needs more high-tech job opportunities, 2) needs more skilled workers, and 3) needs to do more to enhance job quality for the entire spectrum of the working community.

In addition to the shared themes mentioned above, the committee offered several suggestions for moving the regional economy forward:

- Look to "New Manufacturing" for growth in the region;
- Stress the application of technology to make employers in all industries efficient;
- Increase the representation of minority populations in the general workforce and in upper-level positions;
- Address the brain drain by providing tax breaks and reducing regulation that impedes start-ups;
- Encourage higher education to develop specific centers of excellence that promote economic opportunity and skills development, such as in high-tech and engineering, biomedical and bioengineering, printing and entrepreneurship; and
- Provide state tax incentives for employers with education assistance programs.

#### **Post-Summit Activity:**

Several initiatives are moving forward in the six-county region, many of which having received a significant boost from the Wisconsin Economic Summit. These include:

- The Southeastern Wisconsin Joint Venture, a regional task force that works on critical issues common to the region and accelerates the region's efforts: 1) to become aggressive economically, 2) to expand work force opportunities that meet personal, social, and economic needs, and 3) to enhance the overall quality of life and regional prosperity;
- Advancing the TechStar initiative. This southeastern Wisconsin initiative will marshal the technology-focused intellectual capital in the participating educational institutions, in order to advance the economic and societal well-being of the region and important state-Milwaukee-Madison partnerships;
- Work Force Development partnerships (including a PK-16 initiative, doubling the number of Information Technology graduates); and
- Increasing economic opportunities for disadvantaged populations and a host of other commitments and possibilities related to the "Milwaukee Idea," a comprehensive budget initiative of UW-Milwaukee.

Given these expectations from the Summit and the vision underlying the set of initiatives, the region is working to coordinate its strategy with a specific timetable, structure, selection, and support. The umbrella for all post-Summit activities will be the joint venture referred to above. Planning meetings with potential partners on these initiatives are underway, with dates and action plans to be articulated in January 2001.

Many of the participants involved in past listening sessions are being contacted to participate in these continuing activities, and the region's leaders are reaching out to many who have not previously had the opportunity to participate.

## **MADISON AND SOUTHWESTERN WISCONSIN REGION**

**Chair: Mark Bugher, Director, University Research Park, UW-Madison**

Listening sessions were held in the Madison area, Janesville and Platteville – each one painting a picture of the area's particular challenges, strengths and weaknesses. Certain themes pervaded all sessions: keeping our young people in Wisconsin; better-paying jobs for all; and improved transportation systems. In addition a group of challenges encompassing the entire region emerged, which included:

- Unequal growth and prosperity;
- Shortage of a skilled workforce;
- Urban sprawl and land-use planning;
- Road, rail and air transportation;
- Over-reliance on one segment of the economy; and
- A depressed farm economy.

Also, the listening sessions listed two other unique regional challenges: maintaining the quality of UW-Madison and its preeminence as a nationally renowned science and research institution, and moving Beloit away from its total dependence on heavy industry and toward a more diversified economy.

Specific suggestions for moving the region's economy forward included:

- Create an agricultural research park to help the farm economy grow and stay competitive;
- Emphasize training in information technology through new partnerships with K-12 schools and post-secondary institutions, and create information technology incubators to help foster growth and research in this field;
- Develop a comprehensive land use strategy that addresses and resolves the challenges created by the dynamic growth in southwestern Wisconsin;
- Enhance the gateway to Wisconsin from Illinois by widening Interstate 90 to six lanes through Rock County to the Illinois border; make the U.S. Highway 151 corridor a focal point of future planning and development;
- Upgrade passenger and freight air service to Madison;
- Study economical rail service to rural areas; and
- Upgrade current information technology infrastructures, especially in rural areas.

### **Post-Summit Activity:**

Regional Chair Mark Bugher reports having met with the chancellors of UW-Milwaukee and UW-Madison and their staffs in preparation for a series of upcoming meetings to

begin the process of planning a Madison/Milwaukee technology incubator in Waukesha County. At this time, no other dates have been set for Summit follow-up meetings in other areas of the region.

### **FOX VALLEY TO GREEN BAY REGION**

**Co-chairs: John Gilbert, CEO, Aid Association for Lutherans, and Kathi Seifert, Executive Vice President, Kimberly Clark Corporation**

Aid Association for Lutherans hosted a dynamic regional listening session in fall 2000. Complemented by a regional survey of business and community leaders, the regional committee has offered these suggestions:

- Increase collaboration among governments, economic development entities, educational institutions, and the private sector;
- Develop and/or recruit a highly-skilled workforce for the region;
- Reduce state and local taxes to improve the ability of Wisconsin businesses to compete on a national and international basis;
- Increase retention of existing talent in students and employees;
- Enhance Wisconsin's strength in education by further integrating educational opportunities across institutions;
- Broaden the region's business base by encouraging development of high-tech companies;
- Create a shared, comprehensive economic vision for the greater Fox Valley;
- Invest in the expansion of telecommunications systems and high-quality Internet access; and
- Develop regional business parks that are not tied to a single community.

#### **Post-Summit Activity:**

Working in partnership with partners from throughout the Fox Valley to Green Bay Region, UW-Oshkosh will coordinate the development of a spring 2001 event to address regional and state-level priorities identified at the Summit. A special focus will be that of building consensus on the specific action steps that should be considered next for implementation in the Fox Valley to Green Bay Region.

### **CHIPPEWA VALLEY REGION**

**Co-chairs: Donald Mash, Chancellor, UW-Eau Claire, and Charles Sorensen, Chancellor, UW-Stout**

In the region, three post-secondary institutions -- UW-Eau Claire, UW-Stout and Chippewa Valley Technical College -- have created a synergistic model of partnership that has helped to diversify the regional economy, with technology-based enterprises a mainstay of job creation, job expansion and predicted future growth. Regional listening sessions identified several challenges to overcome if the region is to build continued economic vitality, including:

- The need to improve per-capita incomes, in order to be competitive in retaining and recruiting technology workers;
- The need to service technology jobs in the Chippewa Valley through outreach, customized training and easy access to educational opportunities for employees and employers; and
- The need to grow the workforce and address worker shortages.

All partners -- business, labor, community, educational and government leaders -- agree that the solution to the workforce shortage rests with increasing the skill levels and productivity of the existing workforce. Among their suggested next steps:

- UW-Eau Claire should expand the number of graduates in computer science, software engineering and management information systems;
- UW-Eau Claire should partner with high-tech firms in the region to expand internship opportunities for students in these fields, add courses and programs for working professionals, develop new faculty research programs to benefit private-sector initiatives, and provide hands-on training in special labs on campus that would serve as incubators for regional technology firms; and
- UW-Stout should implement the proposed Work-Based University Consortium and take the lead in forming a regional consortium to leverage business and educational resources to deliver fast, competent and seamless access to education, training and research for employers and companies throughout the region.

#### **Post-Summit Activity:**

The Summit further increased regional cooperation between UW-Stout and UW-Eau Claire, with additional involvement from Chippewa Valley Technical College. These institutions, in partnership and outreach with businesses throughout the region, are planning ongoing efforts to encourage economic development in the Chippewa Valley and to make the region's concerns known to state agencies and the Legislature.

#### **GREATER WISCONSIN REGION**

**Chair: Kevin Reilly, Chancellor, UW-Extension**

**Sub-regional leaders included Julius Erlenbach, Chancellor, UW-Superior; Thomas George, Chancellor, UW-Stevens Point; Ann Lydecker, Chancellor, UW-River Falls; and Interim Chancellor Doug Hastad, UW-La Crosse**

Sub-regional task forces were established to invite public participation. Based on input from more than 100 task force members and hundreds of people who participated in public listening sessions, the Greater Wisconsin Region advanced several major suggestions, including:

- Use education and research assets to nurture New Economy growth. The committee specifically recommends development of multiple research and development parks, funded through public/private initiatives, to attract new knowledge-based technology businesses;
- Showcase the state's high-tech leadership, by changing its branding messages to emphasize a high technology image;
- Invest in Wisconsin's communications backbone. "Wisconsin must develop, expand and maintain a state-of-the-art, high-speed telecommunications infrastructure around the economic development needs";
- Reshape the educational system to meet new and emerging needs. A major suggestion is to develop an integrated PK-16 curriculum that aligns standards, curricula and assessments with New Economy business needs, high-tech skills and the full range of career opportunities; and
- Foster a growth-friendly regulatory climate where New Economy businesses can thrive, including "...one-stop process for regulatory information and permits."

#### **Post-Summit Activity:**

**Northern Wisconsin Task Force** Chair Julius Erlenbach will call a meeting to discuss the full findings of the Economic Summit. Several business, labor and education leaders within the area who did not attend the initial listening session have expressed interest in fully participating in the committee. Thus, the group will be greatly expanded. Subsequent meetings will be rotated among northern Wisconsin communities. The committee continues to lend its support to a proposal by the Chequamegon Bay Area to create a technology segment within the region.

The **Central Wisconsin Task Force** will meet in early 2001 to discuss next steps. UW-Stevens Point will work with its partners in education, municipalities, and business to promote workforce development through education. UW-Stevens Point has a viable partnership with Mid-State Technical College and the Portage County Business Council to establish a Business Education and Training Center (BETC) with federal, state and private funding. The center will directly address two of the seven Economic Summit issues: building quality jobs and educating the workforce. Future meetings of the Central Wisconsin Regional Task Force will focus on these and other issues raised at the Summit.

The **La Crosse Task Force** will continue to work with area businesses in developing an angel investor group. The task force has followed up with UW-La Crosse students who attended the Summit, and will work with them in an attempt to engage students in the process. Interim Chancellor Doug Hastad conducted a debriefing session on December 20 with several area business people. Future efforts will focus on the angel investor group and other smaller teams, rather than large public listening sessions.

The **St. Croix Valley Task Force** reports three events currently under development, beginning with a January meeting of the St. Croix Valley Regional Task Force. At that meeting, the group will review highlights from the Economic Summit and discuss

follow-up activities for St. Croix Valley, as well as define its future role and composition.

An Economic Development Forum on Quality Jobs and Workforce Development, scheduled for January 30, will target human resource directors and workforce development staff, as well as faculty, administrators and student representatives from K-12 schools, and technical colleges, along with two- and four-year colleges. The general public will also be invited to attend. The purpose of this event is to identify skills and qualities that regional employers are seeking in current employees and those they anticipate will be needed in future employees, and to identify educational opportunities for students to develop these qualities.

Finally, an Economic Development Forum on Entrepreneurship and Venture Capital will be scheduled for sometime in late January, targeting area entrepreneurs, and university faculty (from key areas such as biotechnology, computer systems, business administration, etc.). The goals of this event include establishing a support group for entrepreneurs in the region and identifying potential for entrepreneurs to be supported by university faculty. Planners also hope to identify venture capital funds that can be used to support entrepreneurial initiatives.

## **SUMMIT HIGHLIGHTS: DAY BY DAY**

### **November 29**

The first session of the Summit on November 29 was devoted to reports from the Regional Groups as detailed above.

**Governor Tommy G. Thompson** addressed the Summit participants late Wednesday afternoon, saying: "We must come together and work together to build the jobs we want for our children and grandchildren." Thompson reviewed his successful action plan for the Wisconsin economy that brought the state from a recession in the mid-1980s when the state lost 134,000 jobs and average unemployment across the state was 8.7 percent to today's era of state prosperity. He noted that today state unemployment is among the lowest in the nation, at three percent, and personal income is growing at close to five percent per year. More than 700,000 jobs have been created since 1986, he said.

One key to success has been partnerships, said Thompson, and he noted that the Chippewa Valley's developing high-tech industry is one example of how success can be achieved. It has been based on strong partnership between educational institutions, community and state and now it is one of the state's most robust regions, he said. Among the building blocks he pointed to has been the state's major investment in education, especially in the UW System's biotechnology programs.

Thompson also gave Summit participants a sneak preview of some of the elements that will be unveiled in his proposed budget early next year. In education, he said he wants to guarantee access to the UW System for every technical college student with a "B" average, and expand the youth options program that allows high school juniors and seniors to take college courses. He also wants the state to continue investing in youth apprentice programs and he challenged business and labor to get more involved in these programs and support them as an avenue to keeping talented Wisconsin students in the state workforce after they graduate.

In tax reform, he called for a single sales factor to make Wisconsin even more attractive to businesses, an aircraft hub tax exemption to make Wisconsin more accessible to business and recreational travelers, and development zones to encourage clusters of new high-tech businesses. Thompson said one threat to Wisconsin's prosperity is the state's fragile energy supply and he called for more generation, more conservation, and more transmission capacity while protecting the environment and respecting the rights of landowners.

Thompson also said that he would ask the State Investment Board to invest another \$50 million in venture capital, and would host a venture capital Summit early in 2001. He also called for state employees to be given the option of investing in venture capital as an option in their retirement programs. Finally, he called on Madison and Milwaukee leaders to work together to strengthen the state's economy, noting that both areas have strengths that complement each other.

## **November 30**

**Lt. Gov. Scott McCallum** led off the second day of the Summit by reminding participants of the importance of building off Wisconsin's historic economic strengths in such enterprises as agriculture, papermaking and manufacturing. He noted that one important challenge is to apply new technology to existing industries. He noted that the most important asset Wisconsin has is a hard-working workforce.

Two important factors, said McCallum, are tax policy and education. Two priorities must be getting Wisconsin out of the top ten in personal income taxes, and investing in education, recognizing that the New Economy is "built on brain power." McCallum also noted that Milwaukee has and will play a key role in the future of the state economy.

**Christopher Lochhead, Chief Marketing Officer of Scient Corporation**, gave the morning keynote address. He offered a stimulating (and often entertaining) analysis of the end of the "New Economy" and the start of what he termed the "Next Economy." The New Economy has been a wave, while the next economy will be a tsunami, he said, noting that \$4.48 trillion will be spent in e-business in the U.S. alone. The Internet is not a business model, he said, "it's a technology, a transforming agent for creating new business models." He went on to say that there is "No such thing as a Wisconsin market. Every single company in the world is becoming glo-cal -- global and local at the same

time." He encouraged the audience to welcome risk-taking, saying that "If it's worth doing, it's worth doing wrong fast."

The topic of the morning's first plenary panel was "**It Can be Done in Wisconsin: Potential and Opportunities.**" State Department of Commerce Secretary Brenda Blanchard led the panel of experts in discussing how Wisconsin might rise to the economic challenges of the future. Among the critical ingredients for success raised by Blanchard and panelists were the need for clusters of businesses that could provide synergies and talent sharing, much as Silicon Valley in California has nurtured internet and computer companies. It was noted that such clusters do exist and are successful in Wisconsin, most notably the paper and printing companies in the Fox Valley Region.

Other factors identified that would improve Wisconsin's economic success and business potential were availability of start-up capital; research and development capability; availability of skilled labor, especially in the highly skilled areas; the right infrastructure vis-à-vis education, transportation, energy and communications; high-tech core businesses; tax climate; and quality of life. Panelists agreed that Wisconsin has many of these ingredients, especially in its strong educational system and outstanding quality of life.

Following this, the Summit broke into concurrent sessions. Here are some examples of the comments and observations made during these discussions:

**Todd Berry, Wisconsin Taxpayers Alliance**, focused on taxation in Wisconsin as a barrier to economic progress, noting that the state income tax is substantially above the national average. This requires employers to raise salaries in order to make up for the income tax burden on employees. The result is lower wages for less-skilled positions.

**Cate Zeuske, Wisconsin Department of Revenue**, said the issue is not less regulation but different kinds of regulation. The government is looked to as a safety net, moving deliberately but slowly in such areas as cyberlaw, privacy and security, and digital signatures. "Our tax law is based on industrial age laws," she said, some of which are negative and some inapplicable to the New Economy. There is a need to work collaboratively with other states to simplify the state sales tax, which accounts for one-third of Wisconsin's revenue.

**Michael Butera, Wisconsin Education Association Council**, said there is a shortage of teachers in Wisconsin because teaching is not seen as a "good" job. There are also no advancement opportunities: "You 'advance' by leaving." **UW-Milwaukee Chancellor Nancy Zimpher** added that it's difficult to persuade teachers to consider positions that are urban or rural. "We need to expand our cultural understanding," she said.

**David Newby, Wisconsin AFL-CIO**, cautioned against dismissing the "old economy" in favor of high-tech jobs that may not materialize for a long time. He urged the audience to focus on improving the standard of living in Wisconsin, encouraged support for K-12 and technical college education, and suggested the best investments were in transportation and communications infrastructure.

**Aaron Olver, McKinsey and Company**, said the high-tech sector grew five times as fast as the rest of the economy in the 1990s. "Universities act as cultural magnets and catalysts for diversity," he said. "Innovative start-up companies are incredibly seductive to young high-tech workers" who "vote with their feet." The UW System has one of the best technology transfer programs in the country, he said.

**John Byrnes, Mason Wells**, said venture capital is much more available now in Wisconsin than it was a few years ago, but there are many obstacles to starting a company. "There are very few unmet needs in America," he said, and coming up with an idea that is better, faster and cheaper (by at least 50%) is not easy. Entrepreneurs need energy, creativity and passion, and most of them are "younger than the people in the room today!"

**Laura Francis, Hypercosm**, said she left Silicon Valley for Wisconsin, even though friends told her she was crazy, because she loves the quality of life in Madison. She talked to "everyone" when raising \$3 million from "angel" investors, noting that venture capital funds are still very small in Wisconsin. As a result, they can't commit enough money to a single project. This search for funds leads start-up companies elsewhere - away from Wisconsin. She noted that the UW-Madison alumni network is extraordinarily strong and helpful to entrepreneurs.

**Gary Wolter, Madison Gas and Electric**, said that as the economy evolves, the need for reliable energy is increasing. Wisconsin has an aging fleet of power plants. All new plants being planned now will use natural gas, the price of which is very volatile. We need clean coal options and incentives for communities to welcome the new power plants. MG&E is committed to Green technology, such as wind power.

**Jim Haney, Wisconsin Manufacturers and Commerce**, said he felt that Katharine Lyall's comment about Wisconsin not being in an economic crisis was "right on the money." He added that, "If it's action we're looking for, immediately reforming the tax and regulatory climate is a good place to start."

The luncheon speaker was **Arthur Rolnick, senior vice president and director of research for the Federal Reserve Bank of Minneapolis**. He challenged the audience to differentiate between "good" and "bad" interstate competition for economic development. Using lavish tax incentives to persuade a company to move from Minneapolis to St. Paul, for example, is counterproductive for the state of Minnesota, inequitable, and may not be good for the company or its employees in the long run. When cities or states compete to have the best schools, the lowest crime rate and the best public services, said Rolnick, there's a high rate of return for everyone. "Make sure you've educated your kids," he said, before engaging in economic bidding wars.

After the last concurrent session of the day, **Marsha Lindsay of Lindsay, Stone and Briggs** led the group in a workshop-style presentation about "The Brand Called Wisconsin: Can We Make It Relevant and Differentiated for Competitive Advantage."

"A brand is more than a slogan or an ad campaign," she said. Brands have functional, emotional and social benefits, as well as economic value. At present, Wisconsin's "brand" is too vague and not altogether positive. She urged the creation of a panel to explore the possibility of establishing a new, strong, bold image for the state, one that could be used in tourism, product marketing and community development.

Implementation of such a brand will take time and money, she said, but the benefits would outweigh the costs. "Wisconsin will have to brand," said Lindsay. "We don't have a choice." She said the greatest cost would come from failing to brand. "It's worth the investment."

## **December 1**

**Milwaukee Mayor John Norquist** extended a formal welcome on Friday. In brief remarks, he predicted that revitalized cities -- including Milwaukee -- will play a major role in shaping the "New Economy." He pointed to a survey released on Thursday that cited Milwaukee/Racine as the U.S. metropolitan area with the fifth highest "IT IQ." He said he was impressed by the information coming out of the Summit, and pledged to do everything possible to implement recommendations, in cooperation with the UW System, UW-Milwaukee, and the city's independent colleges.

**John Morgridge, chairman of the board of Cisco Systems**, was the featured keynote speaker on Friday. Cisco, headquartered in San Jose, is a global leader in networking for the Internet and is among the world's largest companies, measured by market capitalization. Morgridge, who grew up in Wauwatosa and graduated from UW-Madison, became president and chief executive officer of Cisco in 1988, when it was a privately held company with 34 employees and just \$5 million in sales.

"The sine wave of change is changing," said Morgridge, "and the leaders are those who can adjust quickly to the change and embrace it." Historically, he said, someone created new value over time. The competitive advantage diminished as the invention became commonplace, but there was a lot of time in which to change and maintain the advantage. Now, he said, you have to anticipate more because of the compressed time factor. "It's not size that dictates success," he said, "but how quickly you move." The future of the Internet, he said, is "all about speed, talent, brand and culture."

He cited a study of the entrepreneurial culture in California's Silicon Valley. Six elements stood out as important: talent, pillar companies, government, investors, support services, and universities. Wisconsin has a great biotechnology investment underway in Madison, said Morgridge. It's important that this effort be followed up and built upon. For that to happen, he said, "you start with leadership, and this kind of meeting is that kind of leadership."

Unlike the Industrial Revolution, said Morgridge, "this is not a revolution of mass and capital. Speed and knowledge make the difference. Are you ready?"

Next, a legislative perspective on economic issues was provided by the four principal leaders of the Senate and Assembly: **Sen. Chuck Chvala, Sen. Mary Panzer, Rep. Scott Jensen and Rep. Shirley Krug.**

"We have a good future in front of us in the `Next Economy,'" said Chvala, who expressed confidence that investment "money will find good people and innovative ideas." He proposed a new program in Wisconsin, offering two years of free tuition to high school graduates with a 3.0 grade point average whose families earn \$60,000 or less. He said it was wrong that the state's Corrections budget is regarded as "sacred," while the UW System budget is considered "negotiable." It should be the other way around, said Chvala.

Panzer said she was impressed with the depth and detail of the Summit white papers. She predicted progress for Wisconsin in four areas: 1) reduced personal income tax rates, 2) an improved, user-friendly regulatory climate, 3) more awareness of the importance of angel/venture funds, and 4) enhanced infrastructure, e.g., roads, air travel and electrical transmission. "Staying where we are will not get us where we need to be," said Panzer, who challenged the UW System and the technical colleges to work together more closely toward common goals.

Cutting taxes must be at the top of any legislative "to-do" list, said Jensen. He pushed his proposal for a higher education tax credit for companies whose employees go back to school. He again urged Forward Wisconsin to shift its emphasis from attracting companies to attracting and retaining skilled people. He said he wants Wisconsin to be a more attractive place in which to retire, by eliminating taxes on pensions and Social Security. He also called for elimination of the state's Internet access tax (one of five such taxes in the country).

Krug also touched on the "brain drain" in Wisconsin, stating that "what we plant other states harvest" in terms of educated talent. "How well Wisconsin embraces the New Economy will be a key factor in our economic health," she said, "but not the only factor." She urged continued support for the state's existing industries, through infrastructure improvements, for example, even while Wisconsin courts New Economy companies. Toward this end, she said "we should not falter in our support of K-12 schools and the UW System."

Sen. Alberta Darling and Rep. Peter Bock fielded audience comments. During questioning, the legislative leaders sparred with each other over philosophical differences, but pledged to cooperate more closely in the future. After two difficult budget sessions in 1997 and 1999 said Chvala, "we're going to try to make the Legislature work. We have to."

**David J. Ward, president of NorthStar Economics** and a former UW System official, and **Don Nichols, a professor of economics at UW-Madison**, took the stage after the legislative leaders to draw some conclusions about the Summit. According to Nichols, the Summit "clearly touched a chord" with people who are concerned about the future of Wisconsin's economy, people who might not have met each other if not for the

Summit and its regional listening sessions. He was pleased that the "participation of the university has been welcomed," and noted that the UW System is in a good position to frame many of the issues."

The final two presentations of the Summit were given by **UW System President Katharine C. Lyall** and **UW Board of Regents President Jay L. Smith**, Summit co-chairs. They urged Summit attendees to take what they learned and heard at the Summit and create their own "action agenda" for moving Wisconsin's economy forward. They made several commitments for the University of Wisconsin System that are described in detail in the following section.

## **SUMMIT OUTCOMES**

Many good ideas emerged from the Summit sessions and the white papers, all aimed toward ensuring the future economic prosperity of the state of Wisconsin and, specifically, toward increasing the future level of our citizen's per capita income.

Wisconsin currently enjoys a high level of prosperity, along with the rest of the country. Our workforce numbers 3,000,000 working people, and more Wisconsin citizens are working now than ever before. But what drives our current prosperity is not high paying jobs, but plain old hard work. Wisconsin's per capita income trails the U.S average by well over \$1,100 per citizen. Making up for this lower level of income is the large number of Wisconsin residents who hold one or more jobs. Wisconsin's labor force participation rate, the percentage of the adult population engaged in gainful work, is one of the highest in the nation. With so many people working, unemployment rates are very low and there are very few eligible workers available for newly created jobs. Wisconsin's prosperity to date has been driven by putting more people to work in newly created jobs.

In the future, the Wisconsin economy can't grow simply by creating more jobs. Nearly everyone who could be working is already working. We have a labor shortage now, and in about a decade the annual number of workers retiring from the workforce will exceed the number of workers entering the workforce.

The future economic prosperity of the state of Wisconsin will depend on raising the income level of current and future jobs. Wisconsin trails the U.S average per capita income by about 5 percent. Projections of future income growth in Wisconsin would leave us as much as 17 percent behind the U.S average by 2024. If these projections prevail, Wisconsin will not have the tax base to lower tax rates or to support the public services and infrastructure that give Wisconsin a high quality of life.

In the end, the Summit has highlighted the bottom line for this state's future prosperity: the need to raise the level of per capita income by creating high paying jobs. How do we go about doing that?

The deliberations of this Summit, and the more than 50 white papers, have helped lay out a preliminary road map to the new Wisconsin economy, based on the seven themes.

### **Educating the Workforce**

Educating the workforce emerged as a central theme in almost every session of the Summit. There was consensus that an educated workforce is essential to drive the new Wisconsin economy. Wisconsin currently ranks above the U.S average for high school graduates but below the U.S average in college graduates. Discussions at the Summit focused on the need for a seamless education system and the need to raise the education and skill level of the Wisconsin workforce.

Challenges coming out of the Summit:

- How do we build a seamless education system?
- How do we increase the number of college graduates in our workforce?

Responses coming out of the Summit:

- Create a PK-16 Council to coordinate educational initiatives, facilitate seamless educational opportunities, and increase diversity in post secondary enrollments;
- Double the number of computer science, management information systems, information technology, engineering and biotechnology students graduating from UW System, Wisconsin Technical College System, and independent Wisconsin colleges and universities; and
- Mount a campaign to attract non-resident alumni back to challenging opportunities in Wisconsin.

### **Venture Capital**

Wisconsin lacks venture capital to finance New Economy enterprises. Wisconsin's venture capital per capita was less than 40% of the U.S venture capital per capita. During the Summit sessions, several new initiatives that are currently working to increase venture capital capacity in the state were discussed. There was a consensus that these new actions will be helpful but that Wisconsin needs to take additional action to dramatically increase its venture capital capacity. Three papers on venture capital that were written for the Economic Summit highlight the need to change Wisconsin's culture to allow more risk taking and to create more venture capital capacity.

Challenges coming out of the Summit:

- How does Wisconsin sharply increase its venture capital capacity?
- How can "angel" investing networks be created to increase the availability of seed capital, which provides early stage venture financing?

Responses coming out of the Summit:

- Utilize the Governor's Venture Capital Conference in February 2001 to introduce venture investors to some of the best Wisconsin ideas from UW labs looking for development;
- Develop/establish several "angel" investment funds to foster early-stage Wisconsin ideas;
- Enable state employees to voluntarily designate a portion of their pension contributions to a state venture fund; and
- Ask the Governor to appoint members of the new High Technology Council (WiTech) and accelerate its work to create "angel" networks in Wisconsin.

### **Improving Technology Transfer**

Ideas, intellectual property, patents and processes that flow from research and development are the fuel for the New Economy. Wisconsin has an important research and development (R&D) base in its universities, medical research centers, and private R&D operations. Too often, the output of these R&D efforts end up in firms that are not located within Wisconsin's borders. A key to reversing this trend is to improve the transfer of technology to existing state firms and to new ventures formed within the state that can create high paying jobs for the citizens of the state.

Challenges coming out of the Summit:

- How can we improve the process of technology transfer to help create new, high paying jobs and start-up businesses?
- How do we improve and simplify the process of creating, financing and operating new start-up businesses?

Responses coming out of the Summit:

- Diversify Wisconsin's job base by encouraging new business startups, young entrepreneurs, and small business assistance;
- Expand entrepreneurial and e-business courses at UW System institutions and through the Small Business Development Centers;
- Encourage businesses, schools and colleges to double opportunities for internships, apprenticeships, and summer jobs for Wisconsin students; provide a \$1,000 bonus to Wisconsin students with at least one-year's internship experience who take a full-time job in Wisconsin upon graduation;
- Link Wisconsin's research expertise with local firms (GE Medical Systems, Rockwell Automation, Abbott Labs, etc.) to grow complementary clusters of high-tech jobs;
- Increase the number of Applied Tech Centers associated with WTCS and UW System campuses statewide;
- Patent/license more technological developments through WARF, TechStar and WiSys; and
- Invest in BioStar and increase the supply of biotechnology workers.

### **Changing the State Culture and Brand**

This issue emerged from surprising places reflecting a consensus among Summit participants that the current conservative state culture and current state image need to change. In order to attract new enterprises and new highly educated workers to the state, there must be an appealing state image or brand that confirms a decision to locate in Wisconsin. This change must be accompanied by a culture that encourages risk taking in forming new start-ups and which celebrates business successes that benefit the entire state.

Challenges coming out of the Summit:

- How do we create a positive state image or brand that appeals to New Economy workers and businesses?
- How do we change the conservative culture of the state to allow more risk taking in creating new businesses?

Responses coming out of the Summit:

- Advertise Wisconsin's skilled workforce, environment, and quality of life for the 21<sup>st</sup> century – a state of "minds," hard work, and good play;
- Seek out and celebrate Wisconsin's young entrepreneurs; educate public about what risk-taking means; admire those who try, understand that failure is precursor to next success; and
- Market Milwaukee as a major "college town," home of several great colleges and universities;

### **Globalization of the Economy**

A clear message in the reports of the Summit regional groups was the need to educate workers, students and citizens about the globalization of the economy. In order to grow new and existing businesses in the state, these businesses must be globally competitive.

Challenge coming out of the Summit:

- How do we assure that current and future workers in the state have an international perspective and the skills to operate in a global economy?

Responses coming out of the Summit:

- Continue to implement provisions of the 1998 final report of the Wisconsin International Trade Council (WITCO), which called for enhancing the level of international education throughout the state, supporting increased use of "Study Abroad" opportunities by UW System students, and expanding the international trade and training needs of businesses;

- Pass the Midwest Express hub tax exemption in exchange for increased service to Wisconsin's major research and financial centers; and
- Have a statewide plan for continually upgrading Wisconsin's airports.

### **Building a New Economy Infrastructure**

The issue of infrastructure drew a good deal of interest and concern. At the Summit session on infrastructure, the issue of sufficient and reliable energy for the future dominated the discussions. Current energy problems in other states, particularly California, and projected power demands for New Economy businesses drove the discussion about the need for more reliable power generation and transmission capacity. Other infrastructure issues were raised in the Summit white papers. The need for good surface transportation, including road and rail, and the need for direct air connections to major technology and financial centers were all raised in these papers.

One recommendation that came out of discussions was the urgent need for decisions on power issues in the next 6 to 12 months. A lack of clear-cut decisions about future power supplies will affect decisions to expand and locate businesses in Wisconsin.

Challenges coming out of the Summit:

- How does Wisconsin balance future power needs and environmental concerns to assure reliable future power supplies?
- How can Wisconsin get better air service to its major cities?
- How can Wisconsin finance needed future road and rail needs?

Responses coming out of the Summit:

- Pass the Midwest Express hub tax exemption in exchange for increased service to Wisconsin's major research and financial centers;
- Adopt an "energy reliability" policy for Wisconsin that ensures continued supply of electric power by blending generation-transmission-conservation approaches in a combined policy package;
- Extend broadband Internet capacity to northern and rural communities to support expansion of on-line business and distance adult education; and
- Have a statewide plan for continually upgrading Wisconsin's airports; urge Wisconsin congressional delegation to join forces to focus federal air service and air safety dollars here.

### **Taxes**

Wisconsin has historically had a high level of personal taxation and currently ranks seventh among the states in terms of personal tax burden. The high tax ranking puts Wisconsin at a disadvantage in recruiting high-income workers and may create a disincentive to locating corporate headquarters in the state.

Challenge coming out of the Summit:

- How can Wisconsin further lower its individual tax burden and get out of the "Top Ten" of high-tax states?

Responses coming out of the Summit:

- Understand that we must grow our way out of the "Top Ten," by raising Wisconsin's per capita income to the national average by 2005;
- Combine tax cuts with strategic investments in future growth;
- Focus biennial budget decisions of Governor and Legislature on adding value to state goal of reaching national average income; and
- Review and refocus existing state business tax cuts on industries and firms paying above-average wages.

### **Networking for a New Economy**

One of the common elements in the economic success stories of places like Austin, San Diego and the Silicon Valley is the existence of formal and informal networks that link entrepreneurs, educators, venture capitalists and government officials. These networks transfer information inputs that are critical to developing new ideas and technology into profitable businesses.

Challenge coming out of the Summit:

- How can Wisconsin build effective networks to provide critical information to entrepreneurs, venture capitalist and others to help them build high paying jobs?

Responses coming out of the Summit:

- Seek out and celebrate Wisconsin's young entrepreneurs; educate public about what risk-taking means; admire those who try, understand that failure is precursor to next success;
- Utilize the Governor's Venture Capital Conference in February 2001 to introduce venture investors to some of the best Wisconsin ideas from UW labs looking for development;
- Develop/establish several "angel" investment funds to foster early-stage Wisconsin ideas; and
- Create a high-tech engineering network for manufacturing, with Milwaukee as its hub.

### **Resolving Regional Issues**

Competition and conflict among regions and cities within the state is a long tradition. The frequently cited competition between Madison and Milwaukee is a convenient

symbol for a large list of similar situations throughout the state that often lead to lack of cooperation and go-it-alone strategies.

Challenge coming out of the Summit:

- How can Wisconsin promote regional cooperation to reduce costs and to provide a better climate for the creation of high paying jobs?

Responses coming out of the Summit:

- Maintain an active network of the five regional task forces that conducted listening sessions and prepared recommendations for the Summit; encourage interested parties to join and be active in regional task forces;
- Maintain Summit website for comments and sharing of new action ideas; distribute CD-ROM of Summit sessions;
- Find ways to link strengths of Madison and Milwaukee metropolitan areas in biotechnology, information technology, and medical technology to reinforce resources and increase visibility to investors; and
- Find similar collaborative synergies throughout the state (e.g., Racine-Kenosha, Southwestern Wisconsin, Chippewa Valley, Fox Valley-Green Bay, and other regions).

### **Regulatory Climate**

Wisconsin has a history of creating and implementing regulatory codes and laws. The state also has a reputation for imposing a high regulatory burden on new and existing businesses. Many at the Summit urged a change in the state's approach to regulation and a movement to more emphasis on regulatory outcomes through cooperative efforts between business and regulators and less emphasis on administrative process and paperwork.

Challenge coming out of the Summit:

- How can Wisconsin reduce the administrative regulatory burden and improve the regulatory outcome process?

Responses coming out of the Summit:

- Revise regulatory procedures to "passive approval" approach (request automatically approved unless challenged within 30, 60, 90 days);
- Require all state regulatory agencies to catch up backlogs and make caseloads current within one year;
- Require systematic consultative, science-based regulation; eliminate command-and-control philosophy; measure successful regulation by its ability to move state towards economic goals, not by expectation of "no mistakes"; and
- Prohibit unfunded state mandates.

## **Federal Agenda**

Wisconsin consistently ranks low in terms of the balance of federal tax dollars flowing into and out of the state. In a recent study from Harvard University, Wisconsin had the 11<sup>th</sup> largest deficit, sending \$887 more per person to the federal government in taxes than the state receives. The state's lack of a cohesive agenda hampers it from acquiring a greater share of federal expenditures.

Challenges coming out of the Summit:

- How can Wisconsin increase the flow of federal dollars coming into the state?
- How can Wisconsin build a federal agenda to leverage its relatively small political base?

Responses coming out of the Summit:

- Strengthen the State of Wisconsin office in Washington, D.C.;
- Work with the Wisconsin Congressional delegation to focus more federal funding for Wisconsin in the areas of training, airports, and surface transportation;
- Set a goal of \$1 billion more in federal funds for Wisconsin; and
- Commit the UW System to developing a strategy early in 2001 for bringing more federal dollars home to our campuses, in cooperation with the UW System institutions and the Wisconsin Congressional delegation.

## **Entrepreneurial Climate**

Economic success in the 21<sup>st</sup> century will depend upon the ability to cope with and take advantage of new technologies and business processes. Key to that will be a positive entrepreneurial climate in which the formation of new and spin-off businesses is supported by state policies, the culture of the state, and infrastructure necessary to do business. Summit discussions and papers clearly focused on the need to build a more robust entrepreneurial climate in Wisconsin in order to build the next generation of businesses and to replace the corporate headquarters that have left the state.

Challenge coming out of the Summit:

- How can Wisconsin build a better entrepreneurial climate that will lead to the formation of businesses that lead to higher paying jobs in Wisconsin?

Responses coming out of the Summit:

- Seek out and celebrate Wisconsin's young entrepreneurs; educate public on what risk-taking means; admire those who try, understand that failure is precursor to next success;

- Utilize Governor's Venture Capital conference in February 2001 to introduce venture investors to some of the best Wisconsin ideas from UW labs looking for development;
- Develop/establish several "angel" investment funds to foster early-stage Wisconsin ideas;
- Diversify Wisconsin's job base by encouraging new business start-ups, young entrepreneurs, and small business assistance;
- Expand entrepreneurial and e-business courses at UW System institutions and through the Small Business Development Centers; and
- Build formal and informal networks for entrepreneurs to help them locate customers, financing, business partners, and specialized advice.

## **Action Steps: Moving Forward from the Summit**

### **The Role of the Summit Organizers**

This report summarizes the discussions leading up to the Summit, Summit findings, and action steps for moving Wisconsin's economy forward. The roles of the regions, state government, business and the university in achieving these steps are outlined below. A pamphlet with highlights of these findings will be distributed to all Summit participants and will be available for the general public in mid-January. These materials also will be posted on the Summit website ([www.wisconsin.edu/summit](http://www.wisconsin.edu/summit)) that will continue to carry Summit news over the next few months.

In February, Summit organizers also will make available a CD-Rom that will contain the white papers prepared for the Summit, along with regional reports and selected audio and video coverage of the Summit. Summit co-chairs Katharine Lyall and Jay Smith also will continue to work with the Summit steering and executive committees to advance the Summit findings and recommendations. Finally, the University of Wisconsin System has agreed to host a follow-up one-day meeting in the fall of 2001, and ask participants to come back together to report on progress in implementing Summit recommendations.

### **The Role of the Regions**

Regional Summit committees served as effective catalysts in strengthening existing partnerships and the creation of dynamic new liaisons between business, labor, education and government sectors. It will be critical for these committees to reconvene early in the New Year to follow up on suggestions made in regional white papers and begin the process of developing specific strategies for regional economic progress.

The regions will encourage increasing participation in these activities, by engaging those who did not participate in the initial effort, but who have a stake in and a contribution to make in subsequent initiatives.

The regions will, periodically, post reports of their progress on the Wisconsin Economic Summit website ([www.wisconsin.edu/summit](http://www.wisconsin.edu/summit)). It is anticipated that by the end of calendar year 2001, the regions will produce a comprehensive report of their progress and success in implementing new approaches to strengthen regional economic activity and success.

### **The Role of the State**

Both executive and legislative branches of state government must focus their efforts on making investments and setting priorities that will advance us into the New Economy, promote “brain gain” for our population, lift incomes and reduce tax burdens. Potential actions on budget, regulations and private sector incentives should be tested against whether they can add value in achieving these goals. State government must demonstrate that it can operate in a business-like fashion, make timely decisions, and avoid gridlock; it needs to streamline its working relationships with local governments to the same ends.

### **The Role of the University**

The UW System must continue to enhance its mission of graduating students well equipped for life and work in a global economy, doing world-class research, and using knowledge for the public good. It must collaborate with the other educational sectors to ensure a seamless array of educational opportunities from K-12 through lifelong learning and work to attract UW System alumni back to Wisconsin.

The university also must continue its role in providing a non-partisan forum for the discussion and debate of ideas, assessing challenges and offering ideas and solutions for Wisconsin’s future. UW System campuses and statewide extension will continue to serve as catalysts for regional discussion of economic development, and partners in the implementation of the many good ideas we have heard here at this Summit.

On December 8, the University of Wisconsin Board of Regents formally committed the university to an ongoing role as catalyst, host, creator and disseminator of knowledge as well as partner with other state, regional and community groups in helping lead Wisconsin’s economic development efforts. The Regents also took four other specific actions:

- To form a voluntary statewide PK-16 council to address educational issues at all levels and to foster a more seamless educational system in the state;
- To increase the percentage of college graduates in Wisconsin through improved graduation rates and programs designed to bring non-resident UW System alumni back to work in Wisconsin;
- To develop a systemwide strategy for bringing more federal funding to the UW System institutions and hence, to the state of Wisconsin; and

- To enhance the university's role in nurturing entrepreneurial activity and technology transfer.

The Regents will receive reports from the UW System institutions on their efforts in these areas at the March 2001 meeting.

### **The Role of Business**

The Summit identified a number of things government must do and education must do if Wisconsin is to address the challenges posed by the New Economy. There are also a number of areas where Wisconsin's businesses have a pivotal role to play.

Business leadership is needed to pursue follow-up actions on the infrastructure, networking, regulatory and "angel" investing issues outlined above. The state's business community must make these issues priorities, and must press for change as individuals, in industry groups, and as members of local, regional and statewide associations.

The "New Wisconsin Economy" requires that government, education and business all work together in a 21<sup>st</sup> century partnership. It's an image of a state that's on the move.

### **Conclusion: Summit Success**

The Wisconsin Economic Summit began a dialog about the best action steps needed to help move Wisconsin smoothly into the opportunities of the New Economy. Toward that end, it had three main goals:

1. To provide a forum for information sharing inclusive of all citizens;
2. To create a feeling of statewide unity and ownership in the development of economic strategies for the future of our state; and
3. To demonstrate the benefits of a collaborative, partnership approach to action.

As we successfully conclude the first phase of this process -- the Summit meeting itself -- we look forward to continuing the conversation, assessing our progress, and building upon the lessons learned. In the process, we draw inspiration from comments made by Governor Tommy Thompson on the opening night of the Summit:

"We must view the state as a whole, working together to create an unstoppable economic machine. . We live in a great time that holds even greater promise. Our economy is stronger and more vibrant than in any period in our history. But what's most exciting is that our brightest days lie beyond the horizon."