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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Job Creation, Economic Development and Consumer Affairs (SC-JCEDCA)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Mike Barman (LRB) (August/2012)

Senate

Record of Committee Proceedings

Committee on Job Creation, Economic Development and Consumer Affairs

Senate Bill 9

Relating to: reducing the amount of the estate tax imposed by the state.

By Senators Roessler, Zien, A. Lasee and Stepp; cosponsored by Representatives Jensen, Rhoades, Ainsworth, Owens, Jeskewitz, McCormick, Townsend, Freese, Hahn, Kreibich, F. Lasee, Lothian, Musser, Nischke, Petrowski, Van Roy, Vos, Ziegelbauer and Nass.

April 07, 2005 Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

April 19, 2005 **PUBLIC HEARING HELD**

Present: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.
Absent: (0) None.

Appearances For

- Mr. Steve Baas, Milwaukee — Metropolitan Milwaukee Association of Commerce

Appearances Against

- Ms. Sherrie Gates-Hendrix, Madison — Department of Revenue

Appearances for Information Only

- None.

Registrations For

- Mr. James Buchen, Madison — Wisconsin Manufacturers and Commerce
- Carol Roessler, Madison — Senator
- Ms. Kathi Kilgore, Madison — Wisconsin Innkeepers Association
- Mr. Mike Semman — Wisconsin Bankers Association
- Mr. Paul Zimmerman, Madison — Wisconsin Farm Bureau
- Robin Vos — Representative

Registrations Against

- None.

May 4, 2006

Failed to pass pursuant to Senate Joint Resolution 1.

James Michel
Committee Clerk

SENATE BILL 9 (LRB -1062)

An Act to renumber and amend 72.02; and to create 72.02 (2) of the statutes; relating to: reducing the amount of the estate tax imposed by the state. (FE)

2005

- 01-18. S. Introduced by Senators **Roessler, Zien, A. Lasee** and **Stepp**; cosponsored by Representatives **Jensen, Rhoades, Ainsworth, Owens, Jeskewitz, McCormick, Townsend, Freese, Hahn, Kreibich, F. Lasee, Lothian, Musser, Nischke, Petrowski, Van Roy, Vos, Ziegelbauer** and **Nass**.
- 01-18. S. Read first time and referred to committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform 39
- 01-31. S. Fiscal estimate received.
- 04-07. S. Pursuant to Senate Rule 46 (2)(c), withdrawn from the committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform and rereferred to the committee on Job Creation, Economic Development and Consumer Affairs 154
- 04-18. S. Senate amendment 1 offered by Senator **Roessler (LRB a0414)** 177
- 04-19. S. Public hearing held.
- 04-29. S. Fiscal estimate received.

2006

- 05-11. S. Failed to pass pursuant to Senate Joint Resolution 1 853





State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

Senate Job Creation, Economic Development and Consumer Affairs Committee Hearing,
April 19, 2005

Senate Bill 9 – Phase out estate tax over 2 years (Senator Roessler)

Senate Bill 16 – Phase out the estate tax over 3 years (Senator Kanavas)

Senate Bill 35 – Eliminating the estate tax (Senator Leibham)

Description of Current Law and Proposed Change

Under current Wisconsin law, the estate tax for deaths occurring from October 1, 2002 through December 31, 2007, is equal to the federal credit allowed for state estate taxes in effect for deaths on December 31, 2000. After 2007, Wisconsin will conform to federal law and because of provisions in the federal estate tax law the state will impose no estate tax for deaths occurring after 2007. The Wisconsin estate tax is due nine months after the date of death, and therefore, initial collections from the tax will end on September 30, 2008.

Senate Bill 9 would reduce the estate tax by 33.3% for deaths occurring in 2006 and by 66.7% for deaths occurring in 2007. This bill would reduce Wisconsin's estate tax collections for the final two years (2006 and 2007) in which Wisconsin does not conform to current federal estate tax law but would have no effect on deaths occurring in 2008 and thereafter.

Senate Bill 16 would reduce the estate tax by 25% for deaths occurring in 2005, 50% for deaths occurring in 2006, and by 75% for deaths occurring in 2007. This bill would reduce Wisconsin's estate tax collections for the remaining three years (2005 through 2007) in which Wisconsin does not conform to current federal estate tax law but would have no effect on deaths occurring in 2008 and thereafter.

Senate Bill 35 would repeal the estate tax beginning with deaths occurring on January 1, 2006. The state would lose collections from October 1, 2006 through September 30, 2008. Unlike Senate Bills 9 and 16, this bill would permanently repeal the Wisconsin estate tax. Wisconsin is currently scheduled to return to federal estate tax law beginning with deaths occurring in 2008. When this happens, Wisconsin's estate tax will be repealed since the federal credit in effect for deaths after the year 2000 is zero. However, the federal estate tax changes are sunsetted, and barring further law changes, the federal estate tax will be restored in 2011 along with the Wisconsin estate tax, unless Senate Bill 35 is adopted. If this bill is adopted, and even if the federal estate tax is restored, the Wisconsin estate tax would remain permanently repealed.

Fairness/Tax Equity

- The estate tax is highly progressive. Wisconsin's estate tax is imposed only when an estate has a value exceeding \$675,000. Only about 1,500 to 2,000 estates each year have values this high and are subject to the Wisconsin estate tax. The state must weigh the benefits of providing a tax reduction to the heirs of these estates against the reduction in government services or increases in other taxes that would potentially affect a much larger share of the population.

Impact on Economic Development

- There is some concern that too many elderly are leaving the state because of the state's tax treatment. However, data obtained from the U.S. Census Bureau suggests that this is not the case, particularly in comparison with other states. According to the Census Bureau, Wisconsin ranked 33rd in the United States for elderly net migration from 1995 to 2000.
- Comparison of elderly migration patterns provides little evidence that tax treatment has a significant impact on residence decisions by the elderly. According to the Census Bureau, the net migration rates of elderly persons were negative for 1995 to 2000 – more elderly moving out than in – for Wisconsin and its four neighboring states, but Wisconsin had the lowest rate, -5.6 per 1,000 people. Most of Wisconsin's elderly left the state from ages 65 to 84. After age 85, Wisconsin has a positive rate of migration – more elderly moving back than leaving – and among Wisconsin's neighbors, only Minnesota had more elderly returning after age 85. From 1995 to 2000, Wisconsin had a positive rate of migration for elderly over age 85 of 5.4 per 1,000 second only to Minnesota with 9.4 per 1,000.
- Although taxes are one factor retirees consider when deciding where to live, climate, location of relatives, and quality and availability of health care and public services are also important.
- In contrast to elderly migration, Wisconsin has a high rate of migration of young people. According to the U.S. Bureau of the Census, Wisconsin loses a substantial share of its younger working population. From 1995 to 2000, the migration rate of young (ages 25-39), single and college-educated persons for Wisconsin was -107.7 per 1,000 people. Minnesota and Illinois had positive rates, 15.5 and 12.4 per 1,000 respectively; Michigan's rate was negative, -86.7, but not as low as Wisconsin's, and Iowa's rate was -220.1. Wisconsin ranked 35th among the 50 states and the District of Columbia.

Administrative Impact/Fiscal Effect

- Senate Bill 9 would reduce estate tax revenues by approximately \$109 million from FY07 through FY09. It is estimated that the bill will reduce FY07 collections by \$30 million, attributable to the 33.3% reduction in the tax for deaths occurring in 2006. The bill will reduce FY08 collections by an estimated \$76 million, \$11 million attributable to the 33.3% reduction in the tax for deaths occurring in 2006 and \$65 million attributable to the 66.7% reduction in the tax for deaths occurring in 2007. The bill will also reduce FY09 collections by an estimated \$2.8 million, attributable to the 66.7% reduction in the tax for deaths occurring in 2007.

- Senate Bill 16 would reduce estate tax revenues by approximately \$165.5 million from FY06 through FY09. Collections will decrease by \$21 million in FY06, \$52.5 million in FY07, \$89 million in FY08 and, \$3 million in FY09.
- Senate Bill 35 would reduce estate tax revenues by approximately \$226 million from FY07 through FY09. Estate tax collections are expected to be \$122 million in FY07, \$130 million in FY08, and \$4 million in FY09. Therefore, the fiscal effect of this bill would be \$92 million in FY07 (collections in the final nine months of the fiscal year), \$130 million in FY08, and \$4 million in FY09.

DOR Position

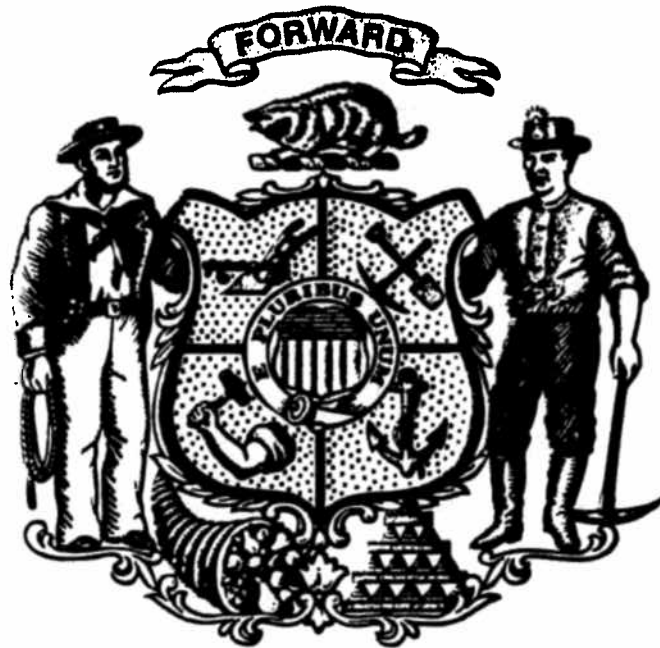
- Oppose. The fiscal effects are significant and the Department continues to review the impact of the estate tax.

Prepared by: Kirstin Nelson, (608) 261-8984

April 13, 2005

KN:skr

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Metropolitan
Milwaukee
Association of
Commerce

Council of Small Business Executives

TESTIMONY ON REPEAL OF THE ESTATE TAX

Steve Baas

Government Affairs Director, MMAC

April 19, 2005

Good afternoon Mr. Chairman and members.

The MMAC is pleased to support SB 9, SB 16, and SB 35.

In 2002, the MMAC Board adopted a "Blueprint for Economic Prosperity." Our goal was to create an ongoing strategic vision to empower the metro Milwaukee area to compete more successfully in the global marketplace of the 21st Century. I have provided a copy of this Blueprint for committee members.

Our Blueprint was divided into five general areas: Education, Infrastructure, Health care, Diversity and Taxes.

One of the priorities in the taxes section was the elimination of the estate tax. SB 9, SB 16 and SB 35 all accomplish this goal. While our preference would naturally be complete elimination immediately, we understand the fiscal challenges facing the state and would support either of the bills that phase in estate tax elimination as well.

Our opposition to the estate tax, or "death tax" as some have called it is both philosophical and practical.

On a philosophical level we believe it is wrong to use the tax code to penalize economic success and prudent fiscal planning. As a state and as a society, we should be encouraging initiative and celebrating success not penalizing it.

On a practical level, at a time when Wisconsin should be trying to attract new jobs and new investment, the death tax creates a disincentive to companies locating their operations and especially their upper management jobs in our state. Further, at a time when we profess a concern over the "brain drain," maintaining a death tax provides just one more reason for high skilled individuals to take their skills, their creativity, their earning potential, and their wealth to other states.

Once again, the MMAC is supportive of these measures to eliminate the estate tax. From our standpoint, the sooner the tax is eliminated the better for Wisconsin citizens and Wisconsin's economy.

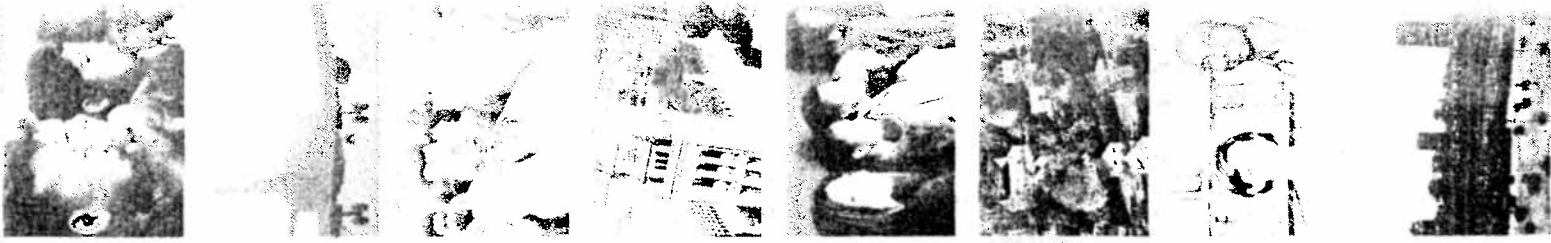
I'd be happy to answer any questions you might have.

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The Blueprint for Economic Prosperity

**Metropolitan Milwaukee Association of Commerce
Advocacy • Economic Development • Networking**

Serving member businesses in Milwaukee, Waukesha, Washington and Ozaukee counties

"The Metropolitan Milwaukee Association of Commerce has developed a strategy that will promote sustained economic growth throughout the region. Once implemented, this broad-based agenda will lead to greater prosperity for all metropolitan Milwaukee residents."

- MMAC Board of Directors, 2002

"We believe with the work of our community partners that the Blueprint for Economic Prosperity has been effective in directing efforts to those critical objectives that make a difference. This Scorecard shows both clear gains and remaining gaps that need closing if metro Milwaukee is going to achieve greater prosperity. We commit to continue this work."



Above: Richard Avedis
Retired Chairman, Wisconsin Energy Corp.
MMAC Chairman 2002-2004



Right: Dennis Kuastler
President and CEO, Marshall & Ilsley Corp.
MMAC Chairman 2004-2006

- MMAC Board of Directors, 2004

DEAR COMMUNITY SHAREHOLDER:

The MMAC's Blueprint for Economic Prosperity outlines a set of strategies that will empower metro Milwaukee to compete successfully with other regional economies. We believe these initiatives will contribute to higher wage jobs, increased capital investment, more business starts, and a significantly improved quality of life for more of our citizens. It is our commitment to lead this effort.

The Association's Board adopted the Blueprint in 2002. This Scorecard on the Blueprint is dedicated to reporting the progress made against the key goals established. This report card has been created for both the shareholders of MMAC as well as the stakeholders of greater Milwaukee.

We have made great progress; we have much to improve upon; and we have more work to do.

Driven by the needs and aspirations of thousands of business leaders, owners, CEOs, and associates who are members of MMAC, we are committed to bringing resources and solutions as a community partner to five challenging issues: education, infrastructure, taxes, health care, and diversity.

Our role is not to point a finger; it is to extend a hand in pulling this region forward.

Our goal is not to produce a report; it is to provide leadership by taking action against the challenges facing the region.

Our commitment is not self-serving; it is to serve in the best interests of this community by building a strong economic foundation.

As you review this Scorecard on metro Milwaukee's progress, we encourage you to do so knowing that you can make a difference.

Richard A. Abdo
Retired Chairman, Wisconsin Energy Corp.
Chairman, MMAC 2002-2004

Dennis J. Kuester
President and CEO, Marshall & Ilsley Corp.
Chairman, MMAC 2004-2006



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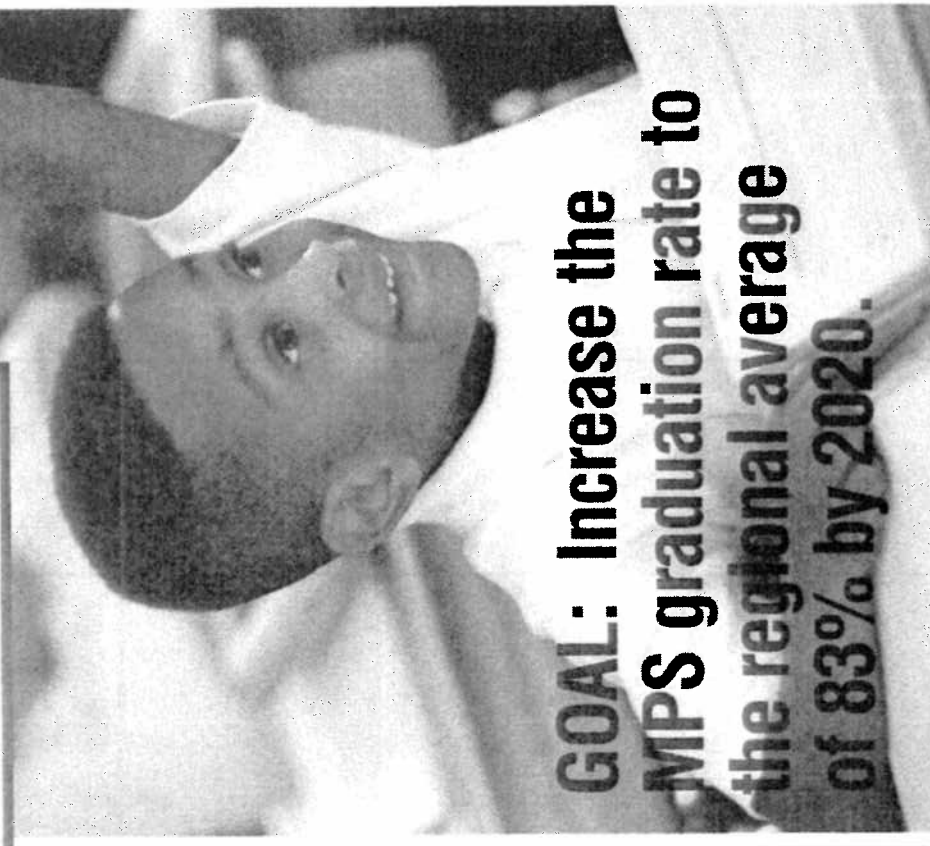


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EDUCATION



**GOAL: Increase the
MPS graduation rate to
the regional average
of 83% by 2020.**

A system of schools delivering a high-quality K-12 educational experience remains this community's lever for raising the economic prosperity of our citizens. Attaining it remains an intense focus of the MMAC.

We continue to support the Milwaukee Public Schools system in its effort to engage in change, deliver better student performance, and raise the graduation rate of its students. Our support included funding and serving on the Milwaukee Partnership Academy, a coalition of the business community, universities, the school board, superintendent, and teachers union. This partnership is responsible for improving reading, writing, and math proficiencies by using innovations like learning teams in the schools.

In addition, MMAC was a leading sponsor and successful recipient of a \$17.2 million Gates Foundation grant to help MPS, Choice and Charter schools pursue the creation of smaller, more innovative high schools.

Our ongoing advocacy to improve the delivery of education and the success rate for low-income students continues to lead us in the direction of offering more educational choices to families. Parents in the city of Milwaukee have more quality options in public, private and parochial schools than in any major urban area.

The bottom line: MPS graduation rates and some test scores improved over the past two years. MPS needs more Student Achievement Guarantee in Education (SAGE) Program funding, and it needs to pull out of its death spiral of higher taxes and fewer teachers. We plan to work closely with MPS on its budget challenges.

Finally, choices for parents remain under threat as caps imposed on the number of participants in Choice and Charter schools threaten their future. Lifting these caps must be our top education priority.

EDUCATION TEAM



Chair:
Robert O'Toole,
A.O. Smith
Corporation

Robert Bellin
Reinhart Boerner Van Deuren SC

Curt Culver
MGIC Investment Corp.

John Daniels, Jr.
Charles & Brady LLP

Ronald Goergen
American Appraisal Associates, Inc.

Paul Greig
Bank One Wisconsin

Paul Grunau
Grunau Company, Inc.

Kate Herman
The Business Journal (YPM)

Lucia Klabar
Lee Hecht Harrison Co.

Debbie Kramer
Assurant Health

Warren Kreunen
North Shore Bank

Shirley Lanier
Formerly with Legacy Bancorp. Inc.

Susan Mitchell
School Choice Wisconsin

Keith Kosbusch
Rockwell Automation

Paul Purcell
Robert W. Baird & Co., incorporated

Sister Joel Read
Alverno College, retired

Paul Ruller
Miller Brands-Milwaukee, LLC, retired

John Steiner
Ace World Wide Group of Companies

John Stollenwerk
Allen-Edmonds Shoe Corp.

Paul Sweeney
P S Capital Partners LLC

Ben Tracy
Marquette University (YPM)

Timothy Sheehy
MMAC

Devon Turner
MMAC

KEY FACTS

- Presently there are about 89,000 individuals, 25 years of age or older, who have not graduated from high school or obtained a GED in the city of Milwaukee.
- Educational performance is an early indicator of the growing gap between black and white citizens. On a federal government math test, white fourth-graders from Wisconsin scored two points better than black eighth-graders, putting the two groups statistically even in their math ability.
- 86% of all MATC grads are employed within six months of graduation. 88% of associate degree graduates (two year program) are employed with an average salary of \$32,000. 82% of diploma grads (one year or less program) earn an average salary of \$25,991 and apprenticeship graduates (two years or more program) earn on average \$40,827 per year.
- Expenditures per student at MPS totaled \$9,283 for the 2000-2001 school year, ranking 3rd highest among comparable U.S. urban school districts and 15% higher than the \$8,098 average for these districts.
- More than 13,200 children participate in the Milwaukee Parental School Choice program; an additional 15,000 attend Charter schools under contracts with MPS, the city of Milwaukee, and UWM. Each of these unique education reforms is threatened by arbitrary caps placed on the number of children allowed to participate.
- In 2000, only 18% of Milwaukee residents had college degrees, compared to 27% for the average large city. Milwaukee, with 109,000 college graduates, would have needed 54,000 more to compare to the average U.S. large city in 2000.
- MPS has cut more than 1,000 positions in the last two years, including 630 teaching positions. Every dollar in wages paid now costs an additional 60 cents in benefits. Spending per student has risen in real dollars by 38% since 1990.
- Teacher salaries have remained capped by the Qualified Economic Offer (Q.E.O.) since 1994. However, with fringe benefits included, Wisconsin teachers rank 16th in total compensation.

OBJECTIVE(S) 2002-2004

Increase the MPS graduation rate by five percentage points, from 55% to 60%, by 2006.

INCREASE MPS GRADUATION RATE

Increase the number of MPS students who score proficient or better on the fourth, eighth and tenth grade proficiency tests by two percentage points per year to close the achievement gap (currently 20-30%) between MPS and the rest of the state.

INCREASE PROFICIENCY TEST SCORES

Reduce the percentage of MPS graduates who require remedial classes as UWM freshmen from 70% to the 33% average for students from other high school districts by 2020.

REDUCE MPS STUDENTS NEEDING REMEDIAL COLLEGE CLASSES

Increase the number of MPS graduates retained or graduated after six years at UWM from 31% to 56% by 2010.

IMPROVE GRADUATION RATE FROM UWM

Reduce the number of MPS teachers who leave the district before their 10th year of service by 20%.

INCREASE THE NUMBER OF MPS TEACHERS WITH EXPERIENCE

Only 5% of MPS students attend MATC directly after high school. Increase this number to 10% by 2004.

INCREASE MATC ATTENDANCE AFTER HIGH SCHOOL

Maintain current level of funding for Choice & Charter schools.

MAINTAIN CHOICE & CHARTER FUNDING

RESULTS

MPS graduation rate for 2001-2002 reached 60%; 2002-2003 - 61%. At this graduation rate, based on enrollments, we could see an additional 650 graduates over a four-year period.

100%

Most proficiency test scores increased 2.5 percentage points or more. 40% of all MPS elementary schools are within 90% or better of the statewide average in reading and math, up from 18% two years earlier. The percentage of third-graders reading at or above their grade level rose from 50% in 2000 to 66% in 2004.

75%

MPS graduates entering UWM requiring remedial classes increased from 69% in 2000 to 81% in 2003.

Only 29% of MPS students entering UWM as freshmen have graduated or are still enrolled, compared to 50% for other high school students.

Teachers leaving MPS with less than 10 years of service increased 9.5% from 283 in 2002 to 310 in 2004. (More study needed.)

After an aggressive recruiting effort by MATC, 18% of MPS graduates attended MATC degree programs after graduation in 2002-2003 and 18.4% attended in 2003-2004.

100%

Funding untouched by legislative action.

OBJECTIVE(S) 2004-2006

Increase graduation rate to 63.5% by 2006 to keep pace with the goal of reaching the regional average of 83%.

Work toward closing the gap between MPS and the rest of the state by increasing proficiency gains by 2.5 percentage points. Raise elementary school performance by 10 percentage points in reading and math. Increase third grade reading comprehension scores from 66% to 70%.

Reduce from 81% to at least 75% the number of MPS graduates requiring remedial classes by 2006 to keep pace with our goal of reaching 33% by 2020.

Increase the number of MPS students graduating or retained from 29% to 35% in 2006 to keep pace with the goal by 2010.

Work with MPS and MTEA to better understand issues impacting teacher retention like school leadership, involvement in decision making, mentoring, wages and benefits, and recognition.

Maintain 18% and work toward 20% by 2004-2006

Eliminate the Legislature's imposed cap of 15,000 on the number of Choice students. Remove caps on Charter schools in MPS and the city.

100%

INFRASTRUCTURE



**Develop a
robust infrastructure
to support
growth.**

INFRASTRUCTURE TEAM

	Chairman John J. Schmitt President, Midwest Telecommunications Group, Inc.	Chairman John J. Schmitt President, Midwest Telecommunications Group, Inc.	Chairman John J. Schmitt President, Midwest Telecommunications Group, Inc.	Chairman John J. Schmitt President, Midwest Telecommunications Group, Inc.
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Midwest's goal of modernizing its regional highway to further infrastructure investments that will boost business and create jobs has been a long and arduous one. The project is now in the final stages of implementation, and the region is looking forward to the completion of this vital project.

The project is a multi-phased effort that will include the construction of new roads, bridges, and interchanges. The project is being funded by a combination of state and federal funds, and the region is looking forward to the completion of this vital project. The project is a multi-phased effort that will include the construction of new roads, bridges, and interchanges. The project is being funded by a combination of state and federal funds, and the region is looking forward to the completion of this vital project.

Results, while the item count for goods and services, are part of a complete set of regional transportation needs. To explore these options, we have aggregated previous data completion of a comprehensive study on a downtown connector system as the next generation of mass transit. The local funding necessary to release matching federal funds for the study were successfully raised. We have also been a vocal advocate for the completion of the Kenosha-Racine-Milwaukee commuter rail study, a critical first step in this project.

Air service is another important component of our region's asset base. With air travel reaching all-time highs, we focused on supporting the viability of Midwest Airlines through a business ticket package, urging the County to help finance their hangar facilities, and lobbying for a competitive tax climate for our locally headquartered airline. We are continuing to pursue a regional airport authority and plan to introduce legislation on this early next year.

A final component in this agenda is robust telecommunications infrastructure. IAWAC will continue to advocate for a regulatory environment that encourages market-driven, private-sector investment in telecommunications.

Chairman John J. Schmitt President, Midwest Telecommunications Group, Inc.	Chairman John J. Schmitt President, Midwest Telecommunications Group, Inc.	Chairman John J. Schmitt President, Midwest Telecommunications Group, Inc.	Chairman John J. Schmitt President, Midwest Telecommunications Group, Inc.
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KEY FACTS

- The region's freeways and interchanges will reach the end of their useful lives over the next 15 years while use is expected to grow 40% by 2020. The Marquette and Zoo Interchanges serve about 60% of the state's truck traffic.
- \$5.2 billion is needed to fund Southeastern Wisconsin freeway projects over the next 20 years.
- Metro Milwaukee's average daily commute time ranks second lowest among 15 comparable metros — an economic development advantage for the region.
- Milwaukee is the only major metro area in the top 35 that does not have a dedicated funding source for mass transit.
- There is ample competition among Wisconsin's telecommunication providers, with more than 50 landlines, cable and wireless providers.
- By 2010, Southeast Wisconsin will need an additional 4,000 megawatts of electric power, which will ultimately require eight new power plants (inclusive of the ones approved), plus additional transmission capacity.
- Mitchell International Airport ranks near the median for non-stop destinations vs. 15 comparable metro areas, but the number of people flying to these destinations is growing faster than at comparable cities. Despite serving a broad regional constituency, Milwaukee County continues to maintain sole oversight of the airport.
- Before the Deep Tunnel, there were 50-60 sewage overflows per year; now there are 2-3 on average.

OBJECTIVE(S) 2002-2004

Secure adequate funding for the Marquette Interchange.

SECURE ADEQUATE FUNDING FOR THE MARQUETTE INTERCHANGE → 50%

Extend Canal Street to the Stadium Freeway to promote development in the Menomonee Valley.

EXTEND CANAL STREET WEST TO MILLER PARK → 45%

Establish an airport authority for Mitchell International Airport to make decisions based on its regional constituency.

CREATE AN AIRPORT AUTHORITY FOR MITCHELL INTERNATIONAL AIRPORT → 35%

Complete a comprehensive study of a downtown connector system to determine its merits in a regional transportation plan.

COMPLETE A STUDY OF THE CONNECTOR SYSTEM → 75%

Establish commuter rail service in the Kenosha-Racine-Milwaukee corridor. Improve the speed and frequency of Amtrak connections between Milwaukee and Chicago and Madison.

ESTABLISH COMMUTER RAIL SERVICE BETWEEN KENOSHA, RACINE AND MILWAUKEE → 20%

Encourage the Public Service Commission to adopt the Power the Future plan proposed by We Energies.

GAIN APPROVAL FOR THE POWER THE FUTURE ENERGY PLAN → 100%

Gain approval for SBC Ameritech's application to provide long-distance service.

INCREASE COMPETITION FOR LONG-DISTANCE SERVICE → 100%

RESULTS

\$405 million has been budgeted through 2004 (50% of the total cost); contracts for the first major phase have been let, and mitigation information/actions are under way.

Work has begun to reconstruct Canal Street to 25th Street, where a roundabout will connect it to a new segment of road that will continue to Miller Park.

Legislation has been drafted to create an airport authority.

The first phase of the connector study was completed and \$500,000 in local funding was raised to match \$2.7 million in federal funding to complete Phase Two.

A study was completed by the Southeastern Wisconsin Regional Planning Commission and \$400,000 was approved by the state for preliminary engineering of commuter rail.

The Power the Future plan that was adopted will provide four new power plants for our region. Ongoing lobbying efforts for additional transmission capacity continue.

SBC received approval to provide long-distance service. Future efforts must now turn to advocating for fairness in the wholesale rates; the PSC sets for rental of the telecommunications network.

OBJECTIVE(S) 2004-2006

Ensure the appropriation of \$405 million still needed in the next biannual budgets. Ensure that work proceeds on budget and that the interchange will operate a 24-hour, 7-day per week reconstruction schedule, with lanes always available east-west and north-south.

Complete the \$28 million Canal Street project by the end of 2006.

Introduce and aid in the passage of the legislation to establish an airport authority.

Complete the second phase of the connector study (environmental impact) by March 2005; define the locally preferred option; and determine if the project should move forward.

Complete a preliminary engineering analysis of the commuter rail line so a yes/no build decision can be made. Support the Amtrak budget to allocate \$281 million for improved rail service between Milwaukee and Chicago and an expansion to Madison.

ADDITIONAL OBJECTIVES:

- Work with the Partners for Clean Air: a group of approximately 300 local employers to seek ways to reduce air pollution through non-regulatory means
- Engage local elected leaders to develop a regional water sewer use plan that supports our metropolitan growth

Advocate for timely regulatory decision on petitions aimed at removing unnecessary regulation. Oppose the use of taxpayer dollars to compete with private sector investments in telecommunications.

TAXES

Getting Wisconsin out of the top ten taxed states in the U.S. is a goal that we believe will help create jobs and economic prosperity. High taxes, particularly at the individual income and property tax levels, continue to impact business location and growth decisions.

Our goal will only be accomplished by a steady drumbeat to keep government spending in line with our ability to pay and by making transparent the taxing and spending decisions of state and local governments. MMAC played its role in beating this drum at the state, county, and city levels. We supported a state budget that did not raise taxes (and our ranking dropped from 3rd highest to 6th). However, the next state budget faces equally challenging spending decisions. The beat of slower spending growth must go on, and we commit to playing our part at all levels of government. We need to blow the horn for elected officials and legislators willing to make these sound fiscal decisions.

MMAC will continue to look at areas of state and local tax policy that can be used to promote economic growth. We must pursue tax changes to improve early stage "seed" investment in business start-ups, eliminate the personal property tax, pursue a strategy for Regional Tax Base Growth Sharing to drive regional economic development. We must also fund necessary regional assets, phase out the estate tax that is chasing billions of dollars out of Wisconsin, and promote the use of the earned income tax credit to draw federal dollars to low-income residents. Finally, we will also pursue the adoption of a "Rainy Day Fund" to level out the impact of economic downturns that drain state budgets, and the upturns that spark higher state spending.

Government services, and those providing them at the state and local levels, are an important part of what makes metro Milwaukee a great place to live, work and play. We recognize the need to balance the difficult choices of taxes and spending and believe we can achieve this goal.

GOAL: Move Wisconsin off the "Top Ten" Tax list by 2008

TAXES TEAM

Chair:
Thomas Spero,
Deloitte &
Touche LLP

Steven Baalstreri
Sun Cleaning Systems, Inc.

David Baumgarten
Associated Bank S.E.

Chris Chiupp
Robert W. Baird & Co.,
Incorporated (YPM)

Greg Eisenhardt
Good Electric Co.

James Ericson
Northwestern Mutual, retired

Carl Hebron
Northwestern Mutual (YPM)

Michael MacDonald
Carson Pine Scott & Co.

Jere McGaffey
Foley & Lardner, partner emeritus

William Mielke
Ruekert & Mielke, Inc.

Christopher Rehholz
Christopher Morgan LLC

Wayne Staats
eSupport Solutions, LLC

Timothy Tucker
Air Engineering Inc.

Koel Williams
Williams CPA LLC

Nathan Elias
MMAC

Thank you to WMC for providing ongoing statewide leadership in keeping Wisconsin taxes in check.

Special thanks to Todd Berry and the Wisconsin Taxpayers Alliance for being an invaluable resource.

KEY FACTS

- According to the U.S. Census Bureau, Wisconsin has been on the top 10 tax list every year since 1962 except 1968 and 1980, and has been among the five highest taxed states every year since 1991.
- Wisconsin's two highest taxes remained the property tax (27% above the U.S. average) and the individual income tax (34.5% above the U.S. average).
- If state and local governments in Wisconsin spent at the U.S. average, the state's tax burden would be reduced by \$2.4 billion. In many key areas, Wisconsin exceeds U.S. spending averages by 20% or more.
- Wisconsin ranks 49th in the per capita amount of federal tax dollars returned to the state. If Wisconsin received the national average of 3.75% of personal income, an additional \$340 million could be used to fund the state's economy. Per the most recent U.S. Census Bureau data, Wisconsin gets back \$.69 for every dollar we pay to the federal government.
- 60% of all taxes collected in Wisconsin are collected by the state government, while 60% of the taxes collected are spent by local governments.

OBJECTIVES) 2002-2004

Move Wisconsin off the "Top 10" tax list.

GET WISCONSIN OFF "TOP 10" TAX LIST

40%

Increase the number of new business starts by changing the state's tax code to encourage venture investment and "angel" finance opportunities.

INCREASE INVESTMENT IN NEW BUSINESS STARTS

25%

Actively lobby against the implementation of Combined Reporting taxation for multi-state corporations.

BLOCK COMBINED REPORTING

100%

Eliminate the personal property tax, which does not exist in any of the states bordering Wisconsin. Current revenue from this tax is \$221 million.

ELIMINATE THE PERSONAL PROPERTY TAX

5%

Eliminate barriers to regional economic development created by the tax structure at state and local levels.

ELIMINATE BARRIERS TO REGIONAL GROWTH

20%

Repeal the Wisconsin estate tax provision and follow the federal phase out of the estate tax. SC Wisconsin lost \$1.4 billion in personal income to out-migration from 1993-2000

FOLLOW FEDERAL PHASE OUT OF ESTATE TAX

10%

Phase in the single-sales-factor tax apportionment by 2005, which would reduce corporate taxes annually by \$80 million

IMPLEMENT SINGLE FACTOR SALES TAX

100%

OBJECTIVE(S) 2004-2006

Reduce the tax burden from 6th to 9th in the nation by 2006 to keep on pace with the goal for 2008. MMAC will continue to advocate for government spending at or below the rate of inflation.

Lobby for a comprehensive package at the state level that includes further financial incentives for early stage private investment. Increase money at the state and local levels to assist in business start-ups, expansions, and relocations.

Stop the implementation of Combined Reporting, which would require Wisconsin businesses to include related income from out-of-state entities in their overall taxable income. This would amount to a \$98 million tax increase.

Exempt tangible assets and equipment from the personal property tax. Protect current exemptions. Requiring businesses to pay taxes on personal property provides a disincentive to grow and expand.

Facilitate **Regional Tax Base Growth Sharing** in Milwaukee and Waukesha counties. Actively lobby for changes in state law that present barriers to this program and competition between neighboring communities. Continue to advocate for consolidation of local government functions that result in more efficient delivery of services and cost savings.

Continue to push for the elimination of the estate tax in Wisconsin. Since the phase out of this tax at the federal level, Wisconsin is one of the few states to impose an estate or death tax.

ADDITIONAL OBJECTIVES:

Lobby for legislation that reforms the state government "Rainy Day Fund" to be fully phased in by the 2009-2011 state bi-annual budget that increases the amount of money in the fund and narrows the circumstances in which the fund may be used.

HEALTH CARE



GOAL: Make our region a leader in developing private sector solutions to the challenge of health care cost containment while preserving quality.

The rising cost of health care is the number one business concern for MMAC members. Public sector budgets are bursting under the burden. At the same time, the region is recognized for the superior quality of its health care providers and institutions.

There is a broad range of opinions on the causes of high health care costs, and a clear tension over the solutions. Two years ago, MMAC brought together providers, employers, insurers, and practitioners to grapple with this issue. The Health Care Team has devoted its time to exploring this complex problem and reviewing numerous proposals to control costs.

It's obvious there isn't one simple solution. And it's just as obvious that providers, employers, consumers and government must all be involved.

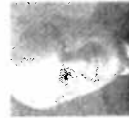
Based on the factors that drive health care costs, we recommend a four-pronged approach:

- Employers must change the way they purchase health care, demand reliable cost and quality information from providers and offer employees incentives to make informed health care decisions.
- Consumers must accept some financial accountability and take personal responsibility for the lifestyle choices that contribute to 70% of all disease in the U.S.
- Providers must invest in systems to improve quality, prevent errors and ensure appropriate utilization of services.
- Government must tackle the inequities of Medicare and Medicaid reimbursement and the problem of the uninsured, whose cost of care is subsidized by employers and other paying consumers.

We are encouraged by and strongly support the private sector initiatives that are addressing quality improvement, giving employers new design and purchasing options, offering consumer-driven insurance plans and lifestyle and wellness programs, and developing technology that will make cost and quality information more readily available. MMAC will post a list of member companies and organizations that provide these services on its web site.

When the Blueprint was published in 2002, Milwaukee had outpaced the U.S. average increase in health care costs in seven of the last 10 years. Employers here continue to pay health care costs that exceed the national average. There is evidence the gap is closing, but we need, and intend to pursue, a more reliable benchmark to track progress.

HEALTH CARE TEAM



Chair
P. Michael Mahoney
Park Bank



Chair
Arvid "Dick" Hillmar
E.E. Brennan Company

Barbara Bzatek
The Flex Company of America Inc.

Richard Brommberg
Biological Benefits LLC

Leo Brudeau
Columbus-St. Mary's Inc.

Paul Bell Gering
Governor Healthcare System Inc.

Stacy Goetzman
Talley, Davidson, Inc. (TDI)

Peter Gutsacker
Worlinc

Michael Herro
GSEGO-Synthetics Inc.

Robert Hillis
Direct Supply, Inc.

Reginald Hislop III
The Village at Manor Park

Lori Hoch
(YPM)

David Hoover
Heart Hospital of Milwaukee

G. Eileen Howe
Aurora Health Care

David Kirber
S.F. Analytical Laboratories Inc.

Rob Lonergan
Advanced Healthcare, S.C.

Stephen Marcus
The Marcus Corporation

Dr. Eugene Monroe
Advanced Healthcare, S.C.

William Petasnick
Froedert Hospital and HealthNet & Community Health Systems (F&C-H)

Joseph Proite
Layton Fruit Market

Jon Rauser
The Rauser Agency, Inc.

Connie Roethel*
Roethel & Associates Inc.

John Tornius
Serygan Inc.

Kim Verhein
Church Metal Spinning Co. Inc.

James Wigdale
Marchal & Isley Corp.

Jane Wood*
Community Health Churches of WI

Gary Zimmerman
Creative Business Partners Inc.

Mary Ellen Powers
MMAC

* Past Association Presidents/Presidents-Elect

KEY FACTS

Health Care Costs

- From 1992 to 2001, Milwaukee's cumulative increase in health care costs, as measured by the CPI, was 53% vs. 44% nationally.
- Health care costs in the Milwaukee area are significantly higher than national averages. Depending on the study and the data used, they range from 25% (Finkler) to 27% (GAO) higher.

Lifestyle Factors

- 70% of all diseases in the U.S., and 50% of mortality, has preventable, lifestyle-related causes.
- 90% of people with severe heart disease have one or more of the classic risk factors: smoking, diabetes, high cholesterol, high blood pressure.
- Chronic diseases (5% of population) account for 33% of health care costs. Catastrophic care (1%) accounts for 24%.

Patient Safety and Quality

- Preventable errors by providers are the 5th leading cause of death in the U.S., according to the Institute of Medicine.
- A study by The Midwest Business Group on Health estimates that 30% of health care costs nationally can be attributed to poor quality care, high administrative costs of an overly complex payment system, medical interventions with questionable benefits, and waste.

Consumer Costs

- Employees pay, on average, 15% of total health care costs, down from 40% in 1980. There are no patient, or provider, incentives to factor value (price and quality) into health care decisions.

OBJECTIVE(S) 2002-2004

RESULTS

Make our region a leader in developing private sector solutions to the challenges of health care quality and cost containment.

PRIVATE SECTOR RESPONSES

Lifestyle and Wellness Programs, which offer services such as health risk assessments, behavior modification programs, consumer education, information and data analysis, are increasingly available from local providers. Employers using these services have documented a return on investment in the \$3 to \$6 range and are experiencing smaller than average annual cost increases.

Consumer-Driven Health Care Plans are giving employees a financial stake in their health care decisions. Examples include tiered-networks, narrow networks, high-deductible plans with HSA's, and Maximum Allowable Charge (MAC) plans.

Safety and Quality Programs initiated by local providers are increasing efficiency, reducing preventable errors and making cost and quality information available to consumers.

Transparent Quality and Cost Information, critical to informed consumer choice, is in the early stages of development by providers and private companies. Some providers are voluntarily releasing data on quality "benchmarks," and private companies have developed web sites and software that will give employers and consumers on-line access to quality and price information.

Bring the annual increase in health care costs, as measured by the CPI, to levels at or below the U.S. average.

BRING MILWAUKEE IN LINE ON HEALTH CARE COSTS

Unsatisfactory Indicator

Convene the key players (providers, insurers, consumers and employers) to identify and implement cost-containment strategies.

CONVENE KEY HEALTH CARE PLAYERS

Pursue a more equitable reimbursement formula for Medicare and capture additional Medicaid reimbursement for hospitals that serve an above average share of low-income patients.

PURSUE EQUITABLE MEDICARE/MEDICAID FORMULA

No gain

55%

The Medicare reform bill passed by Congress in 2003 made some minor changes that had a small favorable impact on Wisconsin. Changes to the reimbursement formula were not considered. MMAC is working with Milwaukee County government and area hospitals to preserve funding for the General Assistance Medical Program (GAMP), which generates matching federal funds.

OBJECTIVE(S) 2004-2006

Make our region a leader in developing private sector solutions to challenges of health care cost containment and quality improvement.

- Educate employers and employees about advantages of lifestyle programs.
- Encourage implementation of consumer-driven health care plans.
- Support Safety & Quality Initiatives by local providers, thereby improving value to consumers.
- Increase transparency of and easy access to cost and quality data for consumers.

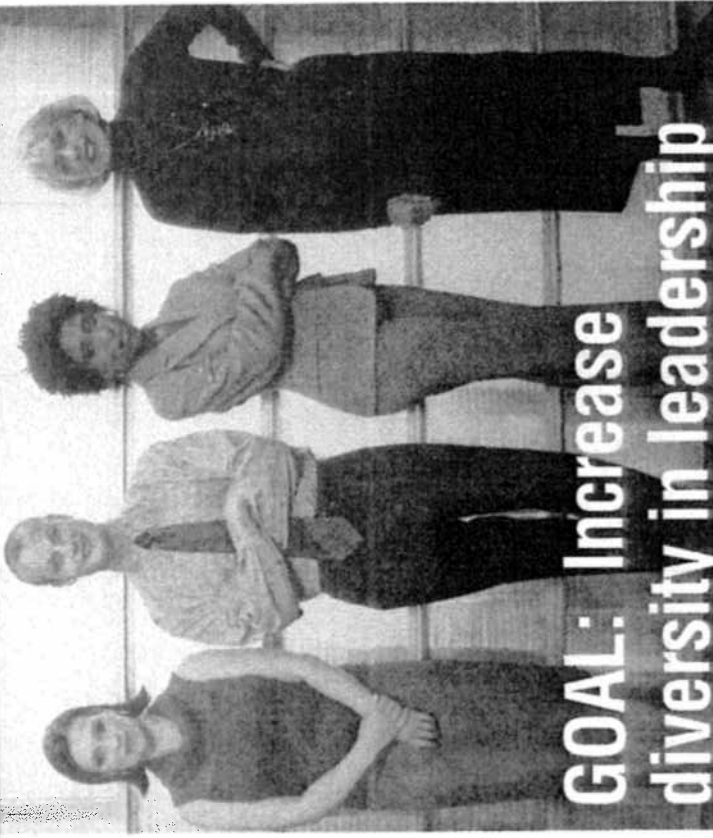
Select a reliable way to benchmark Milwaukee's progress against other cities and the nation on key cost, performance and quality measures.

Convene key players to explore major reform in the delivery and financing of health care, including:

- Focus on total cost and quality of care vs. unit cost
- Feasibility of community ratings
- Innovative ways to finance catastrophic cost

Continue to pursue a more equitable reimbursement formula for Medicare and a broader base of funding for the uninsured.

DIVERSITY



GOAL: Increase diversity in leadership and grow minority businesses.

The old adage asks, "You can talk the talk, but can you walk the walk?" This is a fair question to raise for greater Milwaukee in the area of diversity. While we have made some modest gains over the past two years, Milwaukee remains at 76% of the national average for minorities in management positions, and 94% for women. Milwaukee also ranks near the bottom of peer cities in the health of minority-owned businesses.

Increasing the ranks of women and minorities in leadership and improving the success rate of minority firms will allow companies to reflect the customer base they are serving and increase the economic prosperity of the entire region.

Through The Business Council, Inc., MMAC launched a supplier diversity network to match minority businesses with larger corporations. The result was \$3 million dollars in new business for the minority firms. In 2004-2006, we will work to increase this amount to \$6 million and increase the number of majority and minority companies participating.

MMAC also supported Milwaukee Women Inc. in their groundbreaking work to benchmark the participation of women in corporate boards and leadership positions. Studies support the finding that companies with diverse leadership are more profitable. Together, our goal is to raise the number of board seats held by women to 13% and the number of female officers to 15%.

MMAC has consciously diversified the Association's board. Of the 30 new directors elected and appointed since 2002, 43.2% are women or minorities — raising the overall board composition from 14% to 24%.

Young Professionals of Milwaukee, a service of the MMAC, grew its ranks to 3,600 from more than 350 companies, with a core leadership that reflects its diverse membership. YPM engages young talent and addresses the issues of diversity through innovative programming at its Café Mosaic series of events.

Finally, MMAC is committed to working together with IDEAL, the Institute of Diversity, Education and Leadership, to ensure that area groups collaborate, not compete, on diversity initiatives. The MMAC recognizes we have a lot more walking to do, but we plan to stay focused on delivering measurable gains that will grow participation in our regional economy.

DIVERSITY TEAM



Chair:
Joseph Tucker
Victory Personnel Services, Inc.

Terry Anderson
Dedicated Computing

Amy Baliste
LW/Milwaukee Center for Workforce Diversity

William Beckett
Chrysalis Packaging & Assembly Corp. (CHRYSPAC)

Carla Cross
Cross Management Services, Inc.

Ralph Deger
Bushman Equipment, Inc.

Michael Dunham
WorkWise, Inc.

Jerry Fulmer
We Energies

Paul Grant
Norlight Communications (YPM)

Mae Killebrew-Mosley
Briggs & Stratton Corporation

Robert Kraft
Openfirst, LLC

Reginald Layton
Johnson Controls, Inc.

Douglas MacNeil
MacNeil Associates, Ltd.

Jill Morin
Kahler Slater

Peter Sommerhauser
Gouffrey & Kahn, S.C.

Linda Stephenson
Goodwill Foundation

Julia Taylor
Greater Milwaukee Committee

Shary Tran
Johnson Controls, Inc. (YPM)

Shelley Jurewicz
MMAC

Devon Turner
MMAC

KEY FACTS

- Sales receipts generated in all minority-owned businesses per 100,000 minorities ranked Milwaukee 3rd lowest among 15 comparable metro areas in 1997.
- Only 9% of the board seats in Wisconsin's top 50 publicly-traded companies are held by women, compared to 14% of the board seats of the Fortune 500.
- 2007 Hot Jobs-Cool Community research shows that employees from Gen X & Y view diversity as a key attractor in a professional setting and a community.
- Demographic trends indicate by the year 2010, 70% of the incoming workforce will be women and people of color.
- 78% of businesses owned by African American women are still in business after seven years, ranking Wisconsin third in the nation for their business survival.
- Metro Milwaukee's 2002 black unemployment rate of 17% ranked highest among the 11 comparable metro areas for which rates were available.
- For 1997, the rate of minority-owned businesses with employees per 100,000 minority population was ranked lowest among 15 comparable metro areas.
- Milwaukee needs a yearly net gain of 5,300 through 2020 to reach average city status of college-educated individuals among the nation's other 50 largest cities.

OBJECTIVE(S) 2002-2004

Increase dollar amount spent with minority firms through a pilot Supplier Diversity Module. Required 10 majority firms and 16 minority firms participating in the module.

INCREASE NEW DOLLARS SPENT WITH MINORITY FIRMS

INCREASE PARTICIPANTS IN MODULE

68%

Increase the number of managerial positions held by women from 7.2% to at least the national average of 7.7%.

INCREASE THE NUMBER OF WOMEN IN MANAGEMENT TO NATIONAL AVERAGE

NO GAIN

Increase the number of minorities in management positions from 3.9% to at least the national average of 5.3%.

INCREASE THE NUMBER OF MINORITIES IN MANAGEMENT TO NATIONAL AVERAGE

7%

Work with Milwaukee Women Inc. to benchmark the number of women in corporate leadership.

BENCHMARK WOMEN IN LOCAL CORPORATE LEADERSHIP

Ensure YPM's leadership and volunteer base reflects the demographic make-up of the region by forging relationships with its Mosaic Council Partners and diversifying programming, including Mosaic Gates and Service Circuit.

ENSURE THAT THE LEADERSHIP OF YPM REFLECTS THE GROUP'S DIVERSE MAKE-UP

RESULTS

\$3 million in new business was spent in the module. The module attracted six corporations and 10 minority-owned businesses (MBE). One corporation started its own in-house module.

100%

The proportion of managerial positions held by women increased to 7.4%, trailing the national average of 7.9%. Milwaukee held its position but gained no ground. Managerial positions held by women was 94% of the national average.

Managerial positions held by minorities increased to 4.2%, making a 7% gain on the national average of 5.5%. The proportion of managerial positions held by minorities was 76% of the national average.

Milwaukee Women Inc.'s benchmarking study found that 9% of board seats and 12% of chief executive positions are filled by women at Wisconsin's top 50 publicly traded companies.

100%

YPM currently works with 167 volunteers representing 3,600 members. 55% are women and 23% are minorities.

OBJECTIVE(S) 2004-2006

Launch second Supplier Diversity Module. Attract 10 corporations and 15 MBEs for a total spend of \$6 million.

Close gap on national average by working with variety of groups including: GMC/MMAC CEO Diversity Task Force, Milwaukee Women Inc., and the MMAC membership.

Close gap on national average by working with variety of groups including: GMC/MMAC CEO Diversity Task Force, IDEAL, the Initiative for a Competitive Inner City, The Business Council, Inc., and the MMAC membership.

Continue to benchmark and promote companies that are making gains. Increase board representation from 9% to 13% and officer percentage from 12% to 15%.

Further diversity YPM's membership to reflect the demographic make-up of the region by advancing YPM's Creative Co-Op initiative.

100%

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Paul La Schiazza
SBC Wisconsin

Shirley Lanier
Formerly with Legacy Bancorp, Inc.

J. Lanier "Lanny" Little
Wells Fargo Banks -
Wisconsin/Illinois/Michigan

Margaret Lund
Cook & Franke S.C.

Michael MacDonald
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Douglas MacNeil
MacNeil Associates, Ltd.

Kenneth Manning
Sensient Technologies Corp.

Jill Morin
Kahler Slater

Keith Nosbusch
Rockwell Automation

William Petasnick
Froedert Hospital and Froedert &
Community Health Systems (F&CH)

Andrew Randall
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Nancy Sennett
Foley & Lardner

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John Stollenwerk
Allan-Edmonds Shoe Corp.

Yash Wadhwa
Larsen Engineers, S.C.

Kerry Woody
Ladish Co., Inc.

Edward Zore
Northwestern Mutual

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The Flex Company of America, Inc.

Marsha Mather
Laacke & Joys

John Barth
Johnson Controls, Inc.

Richard Meeusen
Badger Meter, Inc.

Scott Berghotel
Michael Best & Friedrich LLP

William Mielke
Ruekert & Mielke, Inc.

Carla Cross
Cross Management Services, Inc.

Carlos Santiago, Ph.D.
University of Wisconsin-Milwaukee

Steven Johnson
Miller Brands-Milwaukee, LLC

Rev. Robert Wild
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Gale Klappa
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Gary Zimmerman
Creative Business Interiors, Inc.

Council of Small Business Executives (COSBE)

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Peter Gottsacker
Wixon Inc.

Troy Shaw*
TDS Management
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Engberg Anderson Design
Partnership Inc.

Kirk Hegna*
CC&N Communication
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Nancy Hernandez
ABRABAZO Multicultural
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& Communication

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Strategic Management
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GSI/Geo-Synthetics Inc.

Lucia Klehar
Lea Hecht Harrison Co.

Linda Stewart*
North Milwaukee State Bank

John Howman
Raffel Comfort Sciences, LLC

David Kliber
S-F Analytical
Laboratories Inc.

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P. Michael Mahoney
Park Bank

Wayne Staats
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Warren Kreunen
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Arvid "Dick" Tillmar
T.E. Brennan Company

Robert McNamara
E.J.A. Christiansen
Roofing Co., Inc.

Karen Vernal
Vernal Management
Consultants LLC

DIRECTORS

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The Flex Company of
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William Mielke
Ruekert & Mielke Inc.

Noel Williams
Williams CPA LLC

Richard Blomquist
Blomquist Benefits LLC

Joseph Proite
Layton Fruit Market

Gary Zimmerman
Creative Business
Interiors Inc.

Tina Chang*
SysLogic Inc.

Christopher Rebholz
Christopher Morgan LLC

Mary Stenbrecher
MMAC

Gregg Eisenhardt
Good Electric Company

Mary Scheibel*
Scheibel Halaska Inc.

LETTER from the PRESIDENT



Dear Members:

This Scorecard brings with it the committed leadership of thousands of employers in greater Milwaukee who care about the prosperity and quality of life in this region.

They build, grow, and manage their businesses with the enlightened self-interest that having a prosperous community grounded in the equality of individual participation is good for business.

It is from this core belief that we engage other constituencies to pursue changes that will enhance this region's economic and social viability. In short, we are addressing the responsibility to become involved and make a difference in the future of greater Milwaukee.

Much of this document is aimed at policy changes we feel are necessary to support a vibrant and growing region. We enter this discussion and push for these changes with a great deal of respect for those who have made a commitment to elected or appointed public service.

We at MMAC, our staff and volunteer leadership, dedicate ourselves to making a difference in this community, both in its economic viability as well as its social prosperity.

Sincerely,

Timothy R. Sheehy
MMAC President

756 North Milwaukee St., Suite 400, Milwaukee WI 53202



Metropolitan
Milwaukee
Association of
Commerce

Council of Small Business Executives

www.mmac.org

Editor
Julie Granger

Creative Director
Carrie Davis



washingtonpost.com

Erosion of Estate Tax Is a Lesson in Politics

A Break for the Well-to-Do Becomes an Everyman Issue

By Jonathan Weisman
Washington Post Staff Writer
Wednesday, April 13, 2005; Page E01



In 1992, when heirs to the Mars Inc. fortune joined a few other wealthy families to hire the law firm Patton Boggs LLP to lobby for estate tax repeal, the joke on K Street was that few Washington sightseers had paid so much for a fruitless tour of the Capitol.

Today, the House is expected to vote to permanently repeal the estate tax, moving the Mars candy, Gallo wine and Campbell soup fortunes one step closer to a goal that once seemed quixotic at best: ending all taxation on inheritances.

"I think this train has an awful lot of momentum," said Yale University law professor Michael J. Graetz, a former senior official in the Treasury Department of President George H.W. Bush.

Last month, Graetz and Yale political scientist Ian Shapiro published "Death By A Thousand Cuts," chronicling the estate tax repeal movement as "a mystery about politics and persuasion."

"For almost a century, the estate tax affected only the richest 1 or 2 percent of citizens, encouraged charity, and placed no burden on the vast majority of Americans," they wrote. "A law that constituted the blandest kind of common sense for most of the twentieth century was transformed, in the space of little more than a decade, into the supposed enemy of hardworking citizens all over this country."

The secret of the repeal movement's success has been its appeal to principle over economics. While repeal opponents bellowed that only the richest of the rich would ever pay the estate tax, proponents appealed to Americans' sense of fairness, that individuals have the natural right to pass on their wealth to their children.

The most recent Internal Revenue Service data back opponents' claims. In 2001, out of 2,363,100 total adult deaths, only 49,911 -- 2.1 percent -- had estates large enough to be hit by the estate tax. That was down from 2.3 percent in 1999. The value of the taxed estates in 2001 averaged nearly \$2.7 million.

Congressional action since 2001 will likely bring down the number of taxable estates still further. President Bush's 10-year, \$1.35 trillion tax cut in 2001 began a decade-long phase-out of the estate tax. The portion of an estate exempted from taxation was raised from \$675,000 in 2001 to \$1.5 million in 2004. Next year, the exemption will rise to \$2 million for individuals and \$4 million for couples.

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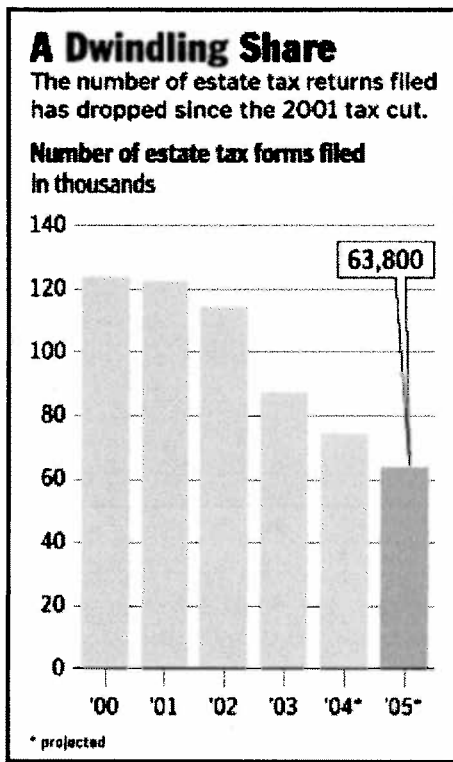
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SOURCE: Internal Revenue Service THE WASHINGTON POST

The impact has been clear, tax policy analysts say. The number of estates filing tax returns is falling sharply, from 123,600 in 2000 to an expected 63,800 this year. And only a small fraction of those will actually be taxed.

Under the 2001 legislation, however, all of the tax cuts, including the estate tax's repeal, would be rescinded in 2011. The vote today is the first to address the sunset provisions.

House Democrats, led by Rep. Earl Pomeroy (D-N.D.), today will propose permanently raising the exclusion to \$3.5 million -- \$7 million for couples. That would be enough to exempt 99.7 percent of all estates. The Pomeroy bill would cost the Treasury \$72 billion over 10 years, compared with the \$290 billion price tag of a full repeal through 2015, according to the Joint Committee on Taxation.

"The ideological fervor that is admittedly still pretty strong in some quarters is now being tempered by the runaway debt that is weighing down this country," said Pomeroy, who thinks voters are ready for a compromise.

Indeed, Senate Majority Leader Bill Frist (R-Tenn.) has asked Sen. Jon Kyl (R-Ariz.), a repeal proponent, to find a compromise that could win a filibuster-proof 60 votes in the Senate this year, even if it falls short of full repeal.

A compromise that includes any estate tax, no matter how small, may fail if the fervent repeal coalition holds firm, Graetz said. Repeal opponents have been unable to whip up big support, he said, because they never made the emotional case that the American belief in equal opportunity runs counter to the existence of an aristocracy born to inherited riches. Paris Hilton, who inherited her wealth and now famously enjoys spending it, could have been their counter to the small-business owners and family farmers whom repeal proponents held up as the victims of the tax.

"The public doesn't believe people should be taxed at the time of death, whether they are paupers or billionaires," said Frank Luntz, a Republican pollster who has been working on estate tax repeal for a decade. "Compromise is very difficult because the public doesn't want it to exist."

It is that sentiment that the fledgling repeal forces tapped into when they mobilized more than a decade ago. A little-known Southern California estate planner named Patricia Soldano launched her repeal effort with the backing of about 50 wealthy clients, with the Gallo and Mars families leading the way. Other contributors included the heirs of the Campbell soup and Krystal hamburger fortunes. Frank Blethen, whose family controls the Seattle Times Co., was also pivotal.

The effort caught fire when small-business groups such as the National Federation of Independent Business and agriculture groups led by the National Cattlemen's Beef Association joined in.

By 1994, Newt Gingrich's Republican insurgents had latched onto the estate tax issue, but the Contract With America called for an estate tax reduction, not repeal. In 1995, Luntz poll-tested the term "death tax" and advised the new GOP majority to never use the terms "inheritance" or "estate tax" again.

By then, Soldano's Policy and Taxation Group was spending more than \$250,000 a year on lobbying. A

parade of small-business owners and family farmers appealed to their congressmen, worried that they could not pass on their enterprises to their children, even though most of them would not be affected by the tax.

"There's been a sustained, determined campaign of misinformation that in the end has left the American people with a very different notion of what the estate tax is and does than actually exists," Pomeroy said.

But ultimately, whether people believe the estate tax will affect them has little bearing on support for repeal. Early this year, with Soldano's money, Luntz again began polling, this time in the face of record budget deficits and lingering economic unease. More than 80 percent called the taxation of inheritances "extreme." About 64 percent said they favored "death tax" repeal. Support fell to a still-strong 56 percent when asked whether they favored repeal, even if it temporarily boosted the budget deficit.

Democrats "still don't get it," Graetz said. "The politics are still very powerful."

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