

# 05hr\_SC-JCEDCA\_Misc\_pt04a



Info. Hearings (February/2006) (Invest Wisconsin)

(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**

Statement of Hal Bergan,  
Unemployment Insurance Administrator

Senate Committee on Job Creation, Economic  
Development, and Consumer Affairs  
February 7, 2006

HOW CHANGING THE DEFINITION OF "FULL TIME" AFFECTS BENEFIT  
ELIGIBILITY UNDER THE WISCONSIN UNEMPLOYMENT LAW

Section 72(2)(a) of 2001 Wisconsin Act 35 directs the Department of Workforce Development to submit to the legislative council staff a proposed rule change to amend the definition of "full time" in DWD 100.02(28) from 35 hours per week to 32 hours per week.

**General Able and Available Requirement. 108.04(2)(a)**

The UI law contains a general requirement that all claimants must be able to work and available for work (A&A) during any week in which the claimant earns no wages and for which benefits are claimed. This requirement is implemented by administrative rule Chapter DWD 128.

The rule provides that a claimant is not considered available for a week in which:

The claimant, without good cause, restricts his or her availability for work to less than 50% of the full-time opportunities for suitable work, including all such jobs whether vacant or filled, in the claimant's labor market area. DWD 128.01(2)(a). (Emphasis added)

Thus, a change from 35 hours to 32 hours in the definition of "full-time" will have the effect of making more persons eligible for UI benefits. Persons whose work availability is limited to 32 – 34 hours or whose ability is limited to 32 – 34 hours will be newly eligible.

**Work Available. A&A Requirement. 108.04(1)(b)1**

If an employee suspends his or her employment or the employer suspends or terminates the employment because the employee is unable to do or unavailable for suitable work available with the employer, the employee is ineligible for UI benefits unless the employee can meet the general test to be available for 50% of the full-time suitable jobs in his or her labor market.

**Quit No Reasonable Alternative. A&A Requirement. 108.04(7)(c)**

Normally, a person who voluntarily terminates his or her employment is not immediately eligible for UI benefits. An exception applies if the person quit because there was no reasonable alternative because the person was unable to do his or her work because of the health of a

member of his or her immediate family. Again, however, benefits can be paid to such a person only if he or she meets the requirement to be available for 50% of the full-time suitable jobs in his or her labor market.

**Quit Because Shift Change Causes Loss of Child Care. A&A Requirement. 108.04(7)(cm)**

Another exception to the voluntary termination disqualification applies when an employer transfers an employee to a shift other than the shift the employee was hired to work and the change results in the loss of child care. Here, in order to qualify for benefits the employee must be available for 50% of the full-time suitable jobs on the shift that he or she was hired for during the most recent employment

**Good Cause for Refusing an Offer of Work A&A Requirement. 108.04(8)(e)**

A claimant's refusal of an offer of suitable work makes him or her ineligible for benefits unless the refusal is with good cause. If good cause exists, the claimant must also be available for 50% of the full-time suitable jobs in his or her labor market.

**Good Cause for Failing to Return to Work on Employer Recall A&A Requirement.**

A claimant's failure without good cause to return to work with a former employer that recalls the claimant within 52 weeks of last employment with that employer makes the claimant ineligible. If good cause exists, the claimant must also be available for 50% of the full-time suitable jobs in his or her labor market.

***There May be Fewer Persons Eligible for Benefits Under the Following Statute.***

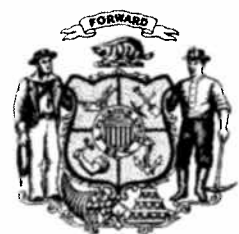
**Refusing or Quitting New Work of 32 Hours. Labor Standards Protection under 108.04(9)**

Federal law prohibits states from denying benefits to persons who refuse to accept or who quit new work if the wages, hours, including arrangement and number, or other conditions of the work are substantially less favorable to the person than those prevailing for similar work in the locality.

Reducing "full-time" to 32 hours may have the effect of lowering the level at which hours are deemed substantially less favorable for some occupations in some labor markets. This means that refusing or quitting a job of less than 35 hours but more than 31 hours would result in the claimant being denied benefits.



# WISCONSIN STATE LEGISLATURE



**SENATE PUBLIC HEARING  
Tuesday, February 7, 2006**

**TESTIMONY**

**WAUWATOSA ECONOMIC DEVELOPMENT CORPORATION  
1414 Underwood Avenue, Suite 402  
Wauwatosa, WI 53211  
414.259.9915**

**Mr. Matthew Mikolajewski, Executive Director**

---

Good afternoon Senators, my name is Matthew Mikolajewski. I serve as Executive Director of the Wauwatosa Economic Development Corporation, commonly referred to as WEDC. I am joined this afternoon by our Directors ...

WEDC is chartered to enhance the economic vitality of the City of Wauwatosa. Our job is made easier by the fact that we already play a strong role in the economy of southeastern Wisconsin. We are home to the Milwaukee Regional Medical Center, the Milwaukee County Research Park, Harley-Davidson, Briggs & Stratton, soon GE Healthcare, and numerous other manufacturers. We are also home to one of southeastern Wisconsin's largest concentration of professional services and retail, including Milwaukee's premier shopping destination, Mayfair Mall.

We look forward to the continued role that we can play within our State's economy and we appreciate the efforts of this Committee to promote economic development through the "Invest Wisconsin" initiative. Research & Development tax incentives, broadband infrastructure, and continued funding of the Biomedical Technology Alliance could all be useful for fostering business development within our community.

The City of Wauwatosa will start preparing its Comprehensive Plan this year, and this plan will likely call for continued economic development within our community. There are several large sites immediately adjacent to Highway 45 that will be available for development or redevelopment in the next five years. In addition to housing and retail, it is our desire that some of this land be used for light manufacturing, health care, technology, and professional service related employment to build upon the base of family-supporting jobs already found within our community.

The primary weakness we find in the current "Invest Wisconsin" plan is a lack of resources for physical planning, especially as it relates to transportation. The "Invest Wisconsin" plan focuses on attracting and expanding business to and within the State through tax incentives, regulatory reform, and workforce development. These are important initiatives; however, while you consider attracting and expanding business, you must also consider where you will locate their new facilities and how will you move their goods, employees, and customers throughout the community.

A significant component of comprehensive planning is transportation, and there is no intersection within southeastern Wisconsin more heavily traveled than the Zoo Interchange.

Employment at the Milwaukee Regional Medical Center and Milwaukee County Research Park (located just north of the Zoo Interchange) has likely surpassed 15,000<sup>1</sup> employees, including the addition of 2,000 employees at the new GE Healthcare facility. The Zoo Interchange and immediate northern portion of Highway 45 serves over 4.6 million<sup>2</sup> square feet of office space in eastern Brookfield, Wauwatosa, and Milwaukee. The Medical Center, Research Park, and professional services offered in these office developments form an exciting synergy of business benefiting the entire southeastern Wisconsin economy.

Just as we, and our neighbors, continue to do our part to plan for the physical infrastructure needed to promote economic development within our own communities, the State should do the same for this important transportation node. Highway 45 forms the backbone of our community's transportation system. Our municipal and business leaders need to know what the future holds for this corridor, and they need to know sooner rather than later.

It has been suggested that construction on the Zoo Interchange will not begin until at least 2016. I am sure you share my desire that the initiatives found within the "Invest Wisconsin" proposal, along with other efforts, will promote business development and expansion in our region long before 2016. We question why we should wait that long to begin serious planning for a critical component of our transportation infrastructure that we already know has problems?

Serious planning and reconstruction of the Zoo Interchange will be costly at a time when the State is grappling with limited financial resources; however, we must consider the opportunity cost of waiting until 2016. Last summer, the WEDC Board of Directors passed a resolution in support of improving the Zoo Interchange at the earliest date possible, and I have included a copy of the resolution with my statement.

Physical planning, especially related to transportation, is just as important as regulatory reform and tax incentives. We look forward to building upon the synergy of existing businesses within and around Wauwatosa. We would like to thank you for the efforts that you have already made through the "Invest Wisconsin" package, and we encourage you to add additional physical planning resources, especially related to transportation planning, to your efforts. Thank you.

## **Notes**

- 1 Based on Milwaukee Regional Medical Center. 2000. *Economic, health, and community services impact*. Along with [www.mcrpc.org](http://www.mcrpc.org) and knowledge of recent development.
- 2 Polacheck. 2006. *Real estate market review & forecast*, p. 9.



WAUWATOSA ECONOMIC DEVELOPMENT CORPORATION

*Enhancing the economic vitality of our city*

**RESOLUTION**

WHEREAS, the Wauwatosa Economic Development Corporation (WEDC) is chartered with enhancing the economic vitality of the City of Wauwatosa; and

WHEREAS, the intersection of Highway 45 and Interstate 94 (Zoo Interchange) serves a substantial number of businesses within the nearby City of Wauwatosa; and

WHEREAS, the City of Wauwatosa will likely see further economic expansion over the next few years; and

WHEREAS, the Zoo Interchange is critical to advancing the "I-Q Corridor" concept, which links the employment capital of Chicago and the Twin Cities through Milwaukee and Madison; and

WHEREAS, the Zoo Interchange is located in the heart of the Milwaukee region and is vital to the economic growth of our State; and

WHEREAS, the Zoo Interchange is the most heavily traveled interchange within the Milwaukee freeway system, with 332,000 vehicles daily; and

WHEREAS, current congestion at the Zoo Interchange causes significant business delays and compromises public safety.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Wauwatosa Economic Development Corporation support and encourage improvement of the Zoo Interchange at the earliest date possible.

By: John A. Balzer  
John Balzer, President

Date: 7/12/05

ATTEST: Lisa Mauer  
Lisa Mauer, Secretary

Date: 7/12/05



## About the Wauwatosa Economic Development Corporation

The Wauwatosa Economic Development Corporation (WEDC) began operating in 1990 as a non-profit 501(c)3 corporation. The public-private partnership was chartered to promote the economic vitality of Wauwatosa. Economic vitality includes a growing tax base, high quality employment, and a desirable regulatory and physical environment from which one can conduct business. WEDC works with businesses interested in locating or expanding within the City of Wauwatosa by assisting with available commercial space searches, providing advice regarding the City of Wauwatosa's permit and approval process, referencing available business planning assistance, and providing financial assistance when appropriate.

WEDC receives most of its funding from the City of Wauwatosa, with additional financial support provided through generous contributions made by Milwaukee-area businesses. WEDC also utilizes Federal Community Development Block Grants (CDBG) for specific projects. As a non-profit community-building organization, WEDC provides most basic advice and services free of charge.

WEDC is governed by a 15-member Board of Directors, which includes elected officials, residents, and Wauwatosa business leaders. These individuals freely contribute their professional experience for the betterment of Wauwatosa. They, and their employers, provide significant in-kind service to WEDC.

Wauwatosa Economic Development Corporation  
1414 Underwood Avenue  
Wauwatosa, WI 53213  
Phone 414-259-9915 x x Fax 414-259-9920





## Board of Directors

WEDC is governed by a 15-member Board of Directors, which includes elected officials, residents, and Wauwatosa business leaders. These individuals freely contribute their professional experience for the betterment of Wauwatosa. They, and their employers, provide significant in-kind service to WEDC.

### Officers

- Mr. John Balzer, President (Froedtert & Community Health)
- Mr. Bob Gintoft, Vice President (NAI MLG Commercial)
- Mr. William Feagles, Treasurer (M&I Marshall & Ilsley Bank)
- Ms. Lisa Mauer, Secretary (Tool Service Corporation)

### City of Wauwatosa Elected Officials

- Ms. Theresa Estness, Mayor
- Mr. Jerry Stepaniak, Common Council President
- Ms. Elizabeth Bruderle-Baran, Alderwoman District 1

### Directors

- Mr. Bill Bode (Brayton Management)
- Mr. David Carter (Beihoff Music)
- Mr. Ron Ridley
- Mr. Richard Jungen (Central States Mortgage)
- Mr. David Schulz (Reinhart Boerner Van Deuren)
- Mr. Robert Simi (CG Schmidt Construction)
- Mr. Steve Smith (Mayfair)
- Mr. John Yentz (The Schroeder Group)

### Ex Officio

- Mr. Tom Wontorek, City Administrator, City of Wauwatosa

- Mr. Brian Preiss, Executive Director, Village of Wauwatosa Business Improvement District

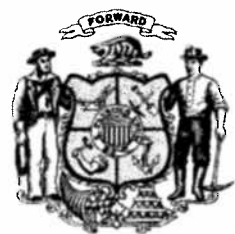
**Staff**

- Mr. Matthew Mikolajewski, Executive Director

Wauwatosa Economic Development Corporation  
1414 Underwood Avenue  
Wauwatosa, WI 53213  
Phone 414-259-9915 ■ Fax 414-259-9920



# WISCONSIN STATE LEGISLATURE





**Wisconsin Economic Development Association Inc.**

TO: Members, Senate Committee on Job Creation, Economic Development and  
Consumer Affairs  
FROM: Patrick Drinan, WEDA Board Member  
DATE: February 7, 2006  
RE: **Testimony in Support of Invest Wisconsin**

Truly the 2003-2005 Legislative Session was the most pro-economic development session in recent memory. We've all learned the important lesson about economic development: there is no "magic bullet" to create quality jobs and entice additional investment. *Creating quality jobs and investment requires the right pro-growth environment*, and it is not just simply tax structure or state incentives that make growth happen. Economic development, expanding the workforce, and enticing additional investment are the result of many variables aligned to the same strategic vision.

The Invest Wisconsin program is a strategy that sees the big picture, taking six areas critical to economic vitality and establishing a road map to a brighter future. In order to strengthen and expand Wisconsin's economy, we must address those areas that immediately come to mind: tax, judicial, and regulatory reform. But we must also address workforce issues: training for today and the needs of tomorrow. A well-trained, technically savvy workforce is the lynchpin to Wisconsin's economic future.

Infrastructure, too, plays a critical role. First-rate rails, roads, and ports are still critical to the economic well-being of Wisconsin, expediting the flow of goods and services between markets. Getting goods to market requires more than a robust transportation system of integrated road, water, and rail. Our new economy necessitates that every community have access to broadband. Information is the commodity of the future and our citizens need the ability to get that commodity to the market.

Another piece that fills the vision of Invest Wisconsin is capital investment. Creating and encouraging alternative sources of capital for Wisconsin's young and growing businesses are crucial building blocks to construct a thriving entrepreneurial culture.

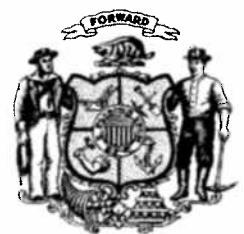
The past few years highlighted the need for a comprehensive strategy to expand the Wisconsin economy. That strategy started to become a reality in this past session. I must commend the legislature and the Governor for enacting landmark pro-economic development legislation ranging from TIF and regulatory reform, to corporate tax treatment, angel investment and workforce investment. These are but the first few steps in making Wisconsin a better place for business and creating quality jobs. Moving forward, we must continue to address those six areas critical to Wisconsin's economic development climate:

1. Tax Reform: Use the tax code to reward the entrepreneurial spirit in the form of tax credit incentive reform
2. Regulatory Reform: Continue to build on the progress of the Jobs Bill.
3. Judicial Reform: Enact changes much like the Job Preservation Act and restore the caps on Medical Malpractice awards to bring Wisconsin in line with the rest of the country.
4. Workforce Training: Continue to emphasize the importance of life-long skill development and prepare today's workforce for tomorrow's challenges.
5. Infrastructure Enhancement: Maintain Wisconsin's world class transportation network, and ensure that our electrical network is capable of sustaining our future growth. Improve communication globally by providing all citizens with access to broadband.
6. Capital Investment: Build on the successes of Act 255 and begin to nurture and grow that entrepreneurial spirit throughout the state.

The future economic success of our communities, counties, regions, and state depends upon our present actions. Thank you for your time and consideration.



# WISCONSIN STATE LEGISLATURE



# **Comments Regarding the Invest Wisconsin Proposal**

**Alexander T. Pendleton**

**Chair, Wisconsin Technology Council Investment Capital Committee**

February 7, 2006

My name is Alexander Pendleton, and I am an attorney with the Milwaukee law firm of Kohner, Mann & Kailas, S.C. I am also a member of the executive committee of the Wisconsin Technology Council, and I am the chair of its Investment Capital Committee.

During the course of practicing law in both Madison and Milwaukee for the last 18 years, I have had the privilege of working with and for many entrepreneurs, start-up companies and venture capitalists. I have also served as an officer and on the board of directors of start-up tech companies.

I am here today to pass along my comments as a private citizen who is interested in Wisconsin having a vibrant tech economy, and not on behalf of any particular client of my firm. My comments regarding the Invest Wisconsin Program are as follows.

There is a critical need in Wisconsin for seed capital. Seed capital is the early stage capital that enables an entrepreneur or scientist with an idea for a new product or business, to take those first steps necessary to get the business started. Getting a new business started is risky and expensive. There are numerous decisions and actions that the entrepreneur needs to make regarding what type of business entity should be established, how ownership of the entity should be structured, the terms by which key employees should be retained and motivated to commit fully to the new business, how key inventions and other intellectual property should be protected, how to obtain space for the business to operate in, how to obtain equipment the business needs to operate and how potential investors should be approached. There are often significant expenses associated with each of these steps.

Federal research grants (such as SBIR grants) can often help with the expenses associated with early stage research, but usually do not cover the expenses associated with getting a business started, building a prototype, and/or taking those steps necessary to get to where a product is ready to be marketed. The personal funds of entrepreneurs, and entrepreneurs' friends and family, are often used to cover early expenses, but their resources are usually limited and insufficient. Venture capital firms are usually not interested in investing in a new company until it has reached a minimal level of organization, IP protection and operations. Traditional banks and investment bankers are usually not interested in extending capital to tech start-ups until after venture capital firms have invested in them. There is almost always a gap between where personal funds are exhausted, and where venture capital funds are available. On an individual level, if an entrepreneur can not find funds to bridge this gap, the entrepreneur's idea for a new business, technology, product or medical treatment goes no where. On a state wide level,

if this “seed capital” gap is not filled, the state will have very few tech-based start ups, and will be unlikely to ever develop a vibrant tech-based economy.

Seed capital is usually provided by individuals who themselves have previously had success at starting a business. These individuals, often called “angel investors” often bring more to entrepreneurs than just money. They often bring a wealth of advice and connections to new companies. Despite the value they bring to a new company, angel investing is extremely risky investing. Most new companies fail. Tech companies especially face numerous obstacles to making a profit. As some of the earliest investors in a company, even if a company is successful, angel investors have to wait longer than other investors to see a return on their investment, and they face the risk that the portion of the company they own will be dramatically reduced, as the start-up burns through its capital, and needs to attract additional investors/capital.

It has been my experience, and the experience of those involved in the WTC, that there is a shortage of seed capital in Wisconsin. Wisconsin has made some gains in this area over the last few years, as there has been an increase in the number of individuals interested in becoming angel investors, and an increase in the number of Wisconsin-based local “angel networks.” Wisconsin is disadvantaged relative to other states, however, in that we do not have the relatively higher number of successful former tech entrepreneurs turned angel investors that are in such states as California, Texas, Massachusetts, Virginia, Washington and Minnesota. Much of Wisconsin-based investment capital is invested in companies outside of Wisconsin. To encourage more of that Wisconsin-based investment capital to be invested in Wisconsin start-ups, it is my belief that Wisconsin needs to create tax incentives for seed capital investments in Wisconsin tech start-ups, by modifying state tax policy in two ways:

- Create a tax credit for investors who invest seed capital in Wisconsin tech start-ups.
- Create a partial tax deferral of the gain that would otherwise be recognized upon the sale of an investment in a tech start-up, if that investment is rolled over into an investment into a seed-level company.

As to the first proposal, the proposal does for angel investors, something similar to what the CAPCO program does for insurance companies, but with a focus on seed level investment. It enables an investor who would otherwise have to pay a portion of the investor’s income to the State, to instead invest that income in a start-up, thus creating tech-based jobs and laying the foundation stones for future successful tech-based companies.

As to the second proposal, the proposal is a way of “keeping the ball rolling,” by creating incentives for an investor who makes a profit in a tech start-up, to reinvest those funds in a new, seed-level company. This in turn helps to create new tech-based jobs, and new tech start-ups.



The Wisconsin Technology Council's Investment Capital Committee is on record as supporting both of these goals.

It is my conclusion that several aspects of the Invest Wisconsin program proposed by Senator Kanavas and others, will serve to further these two goals.

As such I support the proposed Bio-Technology Tax Credit, the Research and Development Tax Credit increase, the Bio-Medical Technology Alliance, and the Entrepreneur Package of the Invest Wisconsin program.

~~Also, although I am unclear whether Invest Wisconsin currently includes this proposal, I~~ also support repeal of the Wisconsin shareholder liability for wage claims provision, which is set forth in Wis. Stat. § 180.0622(2)(b). My prior comments to a Wisconsin Assembly legislative committee regarding the repeal of that provision, are attached.

The benefits of Wisconsin having a tech based economy are clear. I believe it is equally clear that there is inadequate seed-level investment capital in Wisconsin. Unless such is created, the state is never going to be able to get where it wants to be regarding having a tech-based economy. Creating tax incentives for more investors to become and/or continue to be angel investors, is the best way to obtain the benefits of a tech-based economy all of us want to see, for ourselves and for those who come after us.

Thank you for your attention to my comments.

Alexander T. Pendleton, Attorney  
Kohner, Mann & Kailas, S.C.  
Washington Building  
Barnabas business Center  
4650 N. Port Washington Road  
Milwaukee, Wisconsin 54212-1059  
Phone: 414.962.5110  
Email: [apendleton@kmklawfirm.com](mailto:apendleton@kmklawfirm.com)

**COMMENTS REGARDING THE PROPOSED REPEAL OF THE INVESTOR  
LIABILITY STATUTE (SECTION 180.0622(2)(B) OF THE WISCONSIN STATUTES).**

**Alexander T. Pendleton**

**Chair, Wisconsin Technology Council Investment Capital Committee**

I am Alexander Pendleton, an attorney in private practice with Foley & Lardner LLP. I am also the chair of the Wisconsin Technology Council's Investment Capital Committee. The WTC is an organization created by the Governor and the legislature, which has the task of increasing Wisconsin's technology economy. The WTC was created because the Governor and the legislature realized that per capita income in Wisconsin was lagging behind many states, most of our neighboring states included, due largely to the fact that those states (such as Minnesota, Illinois and Michigan) had a larger percentage of their workforce working in high tech jobs. High tech jobs tend to pay considerably more than jobs in more traditional sectors of the economy.

The WTC has identified the relative shortage of investment capital in Wisconsin as a primary impediment to creating more high tech businesses and jobs in this state. The WTC's Investment Capital Committee, which I chair, has the task of studying why that is, and making recommendations as to what can be done to rectify the problem.

Wisconsin starts out at a disadvantage compared to its neighbors when it comes to attracting investment capital. There are more high net worth individuals/investors, and more venture capital firms, based in Minnesota, Illinois and Michigan. Also, when it comes to attracting investment capital from say Boston, the Silicon Valley or other places outside of the Midwest, Wisconsin in general -- and in particular any city or area outside of Milwaukee -- face the added hurdle of having few direct flights that such individuals and venture capitalists can take to meet with new technology companies.

So Wisconsin needs to work harder, if it is going to convince individuals and firms that are seeking investment opportunities, to invest in Wisconsin companies and create Wisconsin technology jobs.

Elimination of the shareholder liability provision currently in Wis. Stat. § 180.0622(2)(b) is a small step in the right direction.

I understand why at the outset this section might appear to on its surface to be worthwhile. Who can be against employees getting paid wages they have earned? I am not, and no one in this state is.

But current section .0622(2)(b) is a very wrong way to go about achieving that objective.

It is important to understand that .0622(2)(b) is a dagger that strikes at the heart of an extremely important concept that underpins the success Western economies have achieved in raising workers' living standards.

That concept is the concept of the limited liability corporation. True limited liability corporations provide assurance to investors that if the investor takes money and puts that money in a venture, the limit of the investor's liability will be the amount of capital that the investor put into the venture.

I recommend that members of the legislature take a look at a book by John Micklethwait and Adrian Wooldridge entitled "*The Company: A Short History of a Revolutionary Idea*", published by Random House in 2003. The book provides the history of the development of the concept of the "limited liability" company in the United States and Europe, and the primary role the concept of non-shareholder liability has played in Western economic development and prosperity. The concept of limited liability is one of the primary concepts that separates western free market economies, from communist economies, and kleptocracies.

I agree with commentators who have called the concept of the limited liability company "the greatest single discovery of modern times."

Section 180.0622(2)(b) of the Wisconsin Statutes, as currently written, creates significant headaches for individuals and businesses attempting to create an environment appealing to out-of-state investment, while at the same time failing to serve the purpose for which it was intended. When an out-of-state entity seeks to invest in a Wisconsin corporation, legal counsel is required to opine as to whether the shares purchased are assessable (*i.e.*, whether the investor could be personally liable to pay in more besides its stock investment) and whether the shares purchased will be owned "free and clear," or in other words, not subject to any claims, liens, or limitations which would interfere with total control. Out of state investors, expecting a routine response of "yes" (as is the case of virtually every other state), are understandably concerned when Wisconsin attorneys must say no and provide a qualified answer.

The aforementioned statute provides that shareholders of a corporation are personally liable to an amount equal to the par value of their shares owned for all wages owing to employees for up to the preceding six months.

This is a very rare provision. I understand that currently only one other state has a similar provision. Out-of-state investors may regard the highly unusual assessability provision as enough of a strange impediment to underrate the Wisconsin legal environment and cause them to choose to invest elsewhere. A venture capital firm investing \$10 million (or a Wisconsin investor buying \$10,000 of stock) in a Wisconsin company does not want to hear that they may also be subject to another \$10 million (or \$10,000) if the company is unsuccessful.

This provision sends the message to out of state investors that Wisconsin is hostile to business and investment.

Wisconsin lawyers involved in venture capital transactions have long sought to have this anomaly eliminated from Wisconsin law. (See my colleague Joe Hildebrandt's White Paper "*44 Proposals to Encourage Emerging Growth Companies and Enhance Venture Capital Investment in Wisconsin*." In the course of preparing that White Paper, practitioners invariably cited this provision as one of the greatest statutory impediments to capital investment in Wisconsin.

A novel alternative discussed with the Wisconsin Department of Financial Institutions has proposed repealing the Investor Liability Statute while offering meaningful security for Wisconsin employees. Since unpaid wages are essentially an insurable risk, it is proposed that these claims should be included as part of the state's Unemployment Compensation Fund. This would ensure coverage for workers without encumbering businesses that rely on investors for start-up or continuing capital.

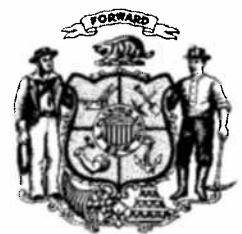
In light of the potentially inhospitable investment environment created by Section 180.0622(2)(b), as well as its failure to provide substantial protection to employees of Wisconsin corporations, repeal of the shareholder wage claim is warranted, especially considering that protections are afforded to employees under the Warn Act and other laws.

The Investment Capital Committee of the Wisconsin Technology Council favors the repeal of Section 180.0622(2)(b). Thank you for your attention to my comments.

Alexander T. Pendleton  
3529 N. Frederick Avenue  
Shorewood, Wisconsin 53202  
414.964.5449 (h)  
608.258.4203 (w)  
[sandiependleton@aol.com](mailto:sandiependleton@aol.com)



# WISCONSIN STATE LEGISLATURE



Date ?

**Testimony of  
David H. Gilbert  
Senior Advisor to the Chancellor  
University of Wisconsin – Milwaukee**

Good afternoon Chairman Kanavas and distinguished members of the Committee. My name is David Gilbert. I am the Senior Advisor to the Chancellor at the University of Wisconsin – Milwaukee. In this role, I provide counsel to UWM's senior administration regarding the development of strategic initiatives to enhance the academic profile and research portfolio of the institution.

Let me start, Mr. Chairman, by stating how pleased the administration at UWM has been with your truly visionary leadership on issues that support leveraging the research capacity of our institutions of higher education to promote high tech economic development for all of Southeastern Wisconsin. When Chancellor Carlos Santiago was recruited by the UW System Board of Regents to serve UWM, he was given a clear mandate to utilize the immense power of research to promote economic development across the region. In the eighteen or so months that the Chancellor and I have been in Milwaukee, we have found no stronger ally in this effort than you. For this, we are very grateful.

It is our goal to develop public/private partnerships in key areas of research that drive economic development throughout Southeastern Wisconsin. We endeavor to accomplish this goal by first reallocating our own funds in a way that provides incentives for our faculty and researchers to align their programs with regional and statewide needs. Then, we will be able to attract partners from the public and private sectors to share in the both the cost and the benefits of this research. Matching funds for this through the Biomedical Technology Alliance for this fledgling effort is critical to our success.

The Biomedical Technology Alliance, or BTA, is an association of five academic institutions in Southeastern Wisconsin: UWM, the Medical College of Wisconsin, Marquette University, the Milwaukee School of Engineering and UW–Parkside. All of these institutions came together nearly 18 months ago around a single, shared idea: the whole is greater than the sum of its parts. We all conduct research. We all partner with industry around research. And, we all have a responsibility to leverage our research to benefit state and regional economies as well as the whole of society through the commercialization of our discoveries.

If you are not from this region, you may not know the extent to which our high tech research and innovation have the capacity to create jobs for the 21<sup>st</sup> Century. In fact, we possess enormous strength across our institutions of higher education in biomedical engineering, functional imaging, medical informatics, bioinformatics and biotechnologies to accelerate drug development. You may not be aware of this because our excellence is housed under many roofs. Unlike regions that are home to single flagship institutions with the entirety of their scientific, engineering and medical research conducted under one institution's banner, our scientific, engineering and medical research takes place under five.

The notion of combining regional assets to leverage economic development has also taken hold in business and government sectors. As you are well aware, the region has begun a branding process under the banner of "the Milwaukee 7." This effort includes prominent business, government and education leaders from Milwaukee, Waukesha, Kenosha, Ozaukee, Racine, Walworth and Washington Counties. The Milwaukee 7 initiative has three components relating to economic development: first,

attract new businesses; second, retain existing companies; and third, grow new companies. The third component in particular relies heavily on the research portfolios of our academic institutions; the BTA is the centerpiece of that effort.

However, this is not merely a marketing problem. To truly leverage the potential power of this region's research, we must create a seamless connection between the basic sciences, engineering and clinical research capabilities at our individual institutions without the presence of a single, shared institution. We have worked diligently over the last 18 months to break down both the bureaucratic and psychological barriers that exist between our institutions. Together, we have held scientific conferences with various industrial partners from the region including companies such as GE Healthcare, PhysioGenix and Teramedica. We have executed new formal affiliation agreements and informal working relationships among institutions. And, we have created a database which houses hundreds of collaborative projects already underway.

If we are so successful, you may ask, why do we need this special legislative grant? I would like to address that question from both a policy perspective and a procedural perspective. Yesterday, Tim Sheehy, President of the Metropolitan Milwaukee Association of Commerce, was quoted in the newspaper as saying that we are located in the "heart that pumps the state's economy." From a policy perspective, the State of Wisconsin has an overarching need for economic development in the Metro Milwaukee area. As the nation's economy transitions to a knowledge-based economy, so too must the economy of Metro Milwaukee if we hope to remain competitive.

From a procedural perspective, it's how you make investments that ensures a desired outcome. A basic tenet of academic research holds that all faculty members are



free to pursue knowledge irrespective of outcome—the pursuit of knowledge for its own sake, if you will. The best way to influence the outcome of faculty research is to seed the research while setting clear parameters for the use of funds. The BTA parameters will require at least two institutions collaborate on each project, research with commercial applications or in partnership with the private sector, and university or private sector matching funds. Applications for individual grants will be judged on the scientific and commercial merit of the proposal, ability to leverage other funds (the return on investment), and the potential for regional economic impact.

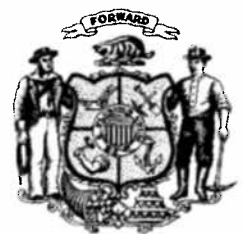
I know this approach will work. I know because, internally at UWM, we have created a similar program called the Research Growth Initiative, or RGI. We reallocated 5% of our state funds and created a competitive process to encourage desired outcomes. We set aside \$14 million that was previously distributed on an ad hoc basis and challenged the faculty to compete for grants based on three criteria: return on investment, risk, and sustainability beyond the life of the grant, which is capped at three years. This is a very different way of looking at the internal distribution of University funds. We wondered, how would the faculty who lost access to the funds they have had for so many years react? What about the new notion of ROI and self-financing after a short period of time? Can we really change the culture on campus to embrace the entrepreneurship required to find other sources of funding to sustain research on a short-term basis? The result, after many meetings, was a unanimous endorsement by the Faculty Senate of the reallocation along with nearly 300 applications to obtain the funds. The odds of getting funded by the RGI are actually lower than those of receiving funding from the National Science Foundation.

This experience tells me that competitive grant programs can change institutional cultures in ways that mandates cannot. In the case of the BTA Collaborative Grant Program, the Legislature can tie the funds to economic development. It can foster institutional collaboration that will benefit economic development for the long term. It can evaluate the outcomes and, ultimately, make the decision whether to enhance, eliminate or modify the program in the future depending on the outcomes.

The bottom line is that Wisconsin's southeastern institutions are valuable, reasonably untapped state resources. The State spends many millions of dollars supporting both public and private institutions in various ways. What it has not done particularly well is take advantage of these investments to help Southeastern Wisconsin transition from the industrial economy of the 20<sup>th</sup> century to the knowledge-based economy of the 21<sup>st</sup>. The Biomedical Technology Alliance Collaborative Grant program will begin to leverage these multi-billion dollar assets with a very modest investment.



# WISCONSIN STATE LEGISLATURE



> Per capita income

>

# Invest Wisconsin

## 1. **Broadband Deployment Tax Credit:**

- This bill is going to provide tax incentives for broadband companies to ensure that an investment will be made in un-and underserved areas of the state.
- Credits will be provided to these companies on the sales and use tax that they pay on infrastructure, as long as they reinvest that money into more broadband deployment.
- The Wisconsin Department of Commerce will be the administrator of determining granting credit, but the credit granting process will also have legislative oversight.

## 2. **Entrepreneur Package:**

- Eliminate Capital Gains Tax for those who invest long-term cap gains in Wisconsin businesses. The capital gains tax elimination will be phased in over time.
- Repeal the Shareholder Wage lien statute
- Increase the number of security holders from 25 to 100 under the sec. 551(10) exemption.
- Increase the number of security offers from 25 to 300 under the sec. 551.232(11) exemption, or under such exemption permit sales to 100 security holders
- Eliminate all prohibitions on advertising of offerings for all exemptions, assuming advertising is filed simultaneously with its use and is subject to anti-fraud provisions.
- Increase the amount of capital that can be raised under sec. 2.028 from \$5 million to \$20 million.
- Facilitate the raising of venture capital by providing a tax credit to broker-dealers of 10% of the first \$500,000 raised in an offering of a Qualified New Business Venture in any 12 month period.
- Permit any finders to be able to receive a fee for finding investors of up to \$2 million in a 12 month period under Wisconsin exemptions without a requirement of being licensed.

## 3. **Innovation Tax Credit:**

449

- The proposal is modeled after Ohio's low-interest loan program for innovation.
- This bill will provide tax credits for eligible innovation projects. An "eligible innovation project" is all tangible and intangible property related to new product or processes based on new technology or the creative application of existing technology, including some R&D, product or process testing, quality control, market research and related activities.
- The object is to help existing companies change how they do business in order to compete in the global market place.

## 4. **Self-Dealing Legislation (SB 338):**

- Senate Bill 338 is in the Senate Economic Development committee.
- This bill is a bi-partisan bill that is authored by Senators Kanavas and Risser as well as Representatives Lamb and Berceau; and, was brought to our attention from the University of Wisconsin-Madison.
- Governor Doyle has stated that this bill is in his 2005 Grow Wisconsin Initiative.
- Senate Bill 338 seeks to create an exemption to section 946.13 of the Wisconsin State Statutes.

- Current law prohibits a public officer or employee from making or performing a contract in their official capacity if they have a private pecuniary interest in the contract and if their official involvement in the contract requires the exercise of discretion. Significant penalties are levied on the offenders.
- This bill states that a contract between a research company and the University of Wisconsin System employee would not be against the law as long as the contract is approved by a UW-System officer or board responsible for evaluating and managing the conflicts of interest.
- The purpose of this bill is to allow faculty and staff the ability to assist or start-up their own spin-off companies from innovations that they have been able to create in their own research.

**5. Sales and Use Tax Exemption for Bio-Technology (SB 435):**

- This came from the Governor's Grow Wisconsin: 2005 Agenda. The governor's office called and asked that Senator Kanavas draft this legislation.
- Define "biotechnology business" and create five biotechnology-related sales and use tax exemptions. Two exemptions would apply to businesses raising laboratory animals that are sold to biotechnology businesses or certain other entities and three exemptions would apply to biotechnology businesses.
- The Wisconsin Biotechnology and Medical Device Association supports

**6. Tax Reform Package:**

- The Tax Reform Package is made up of numerous that will change the way in which the Wisconsin Department of Revenue regulates Wisconsin businesses.
- This is to provide more tax certainty for businesses who are subject to taxation by the state of Wisconsin.

**7. R&D Tax Credits for small engines (SB 103):**

- SB 103 is currently in Joint Committee on Finance awaiting a hearing.
- The fiscal effect is \$2.5 million in the next biennium

**8. Bio-Tech Compact Joint Resolution (SJR 52):**

- This would be a Senate Joint Resolution asking the Governor, and the Governors of the Midwest States to join a bio-tech compact in an effort to compete with states like California for research purposes.
- This is not binding legislation, but it is part of our vision for a cooperative effort of Biotechnology research in the Midwest.

**9. Biomedical Technology Alliance (SB 372):**

- This was vetoed by Governor Doyle in the budget because of the original funding source.
- Governor Doyle said he supports giving \$2 million to the BTA through GPR.

**10. 2003 Act 255 Clean Up-Legislation (SB 290):**

- Senate Bill 290 passed the Senate on a vote of 32-0 and awaits action by the Assembly.
- The intent of this legislation is to make changes to this program to ensure that the roll-out of the original Act 255 fulfills the drafting intent.
- No fiscal effect

**11. Job Preservation Act or manufacturer and seller liability (SB402/AB 778):**

✓ JTM

- This proposal restores the basic, traditional rules relating to the establishment of liability in product liability cases for manufacturers and sellers of products in Wisconsin.
- It establishes a level of certainty that was eroded in the *Thomas* case and is intended to improve our litigation atmosphere in Wisconsin.
- At the same time, this bill preserves the sanctity of Article I, Section 9 of the Wisconsin Constitution in the very narrow circumstances of the *Collins* case.

Jim  
Hough  
w/  
Hamilton  
Consulting

**12. Airport Development Zone and Loan Program (SB 136/AB 223):**

- Creates an income and franchise tax credit for businesses located within an airport development zone.
- Creates a loan program for certain construction projects in the airport development zone.
- This bill caps the credits at a maximum of \$9 M.
- The credits may only be taken if qualified development and job growth occurs.
- There are 34 airports statewide that would qualify for this program.
- This bill is currently in the Joint Committee on Finance awaiting action.

✓

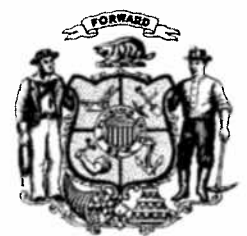
JIM

**13. The Wisconsin Advantage Jobs Training Bill (SB 129/AB 241):**

- Proposes to transfer the Business Employees Skills Training Grant (BEST) program from the Department of Commerce to the WI Technical College System Board (WTCSB) and rename the program the WI Advantage Jobs Training Program.
- Changes criteria for applicants from businesses with no-more than 25 employees and no more than \$2.5 million in gross annual income in prior year under BEST to no-more than 50 employees and no more than \$5.0 million in gross annual income in prior year. (This will be offered as an amendment to bill at JFC. As currently drafted, the number of employees is no-more than 100 employees.)
- Transfer to WTCSB allows a more regional approach to worker (re)training and focuses on connecting small businesses with technical colleges. Currently, under the BEST program at Commerce priorities for (re)training are set on a statewide basis.



# WISCONSIN STATE LEGISLATURE



# WORKING & POOR

ISSUE ONE

SPRING 2004

## Making UI Work for families

This year, we depart from our traditional data book to present a more in-depth look at how kids are affected by issues related to the adult workforce. This brief is the first in a series to look at issues of employment and supports for working families. It goes without saying that parents' ability to earn a living wage or support their families between jobs affects many aspects of their children's lives. Because we know so much about the disastrous potential effects of poverty on children, it behooves us to explore ways in which unemployment insurance and other systems that support the workforce can be made more family friendly.

### Introduction

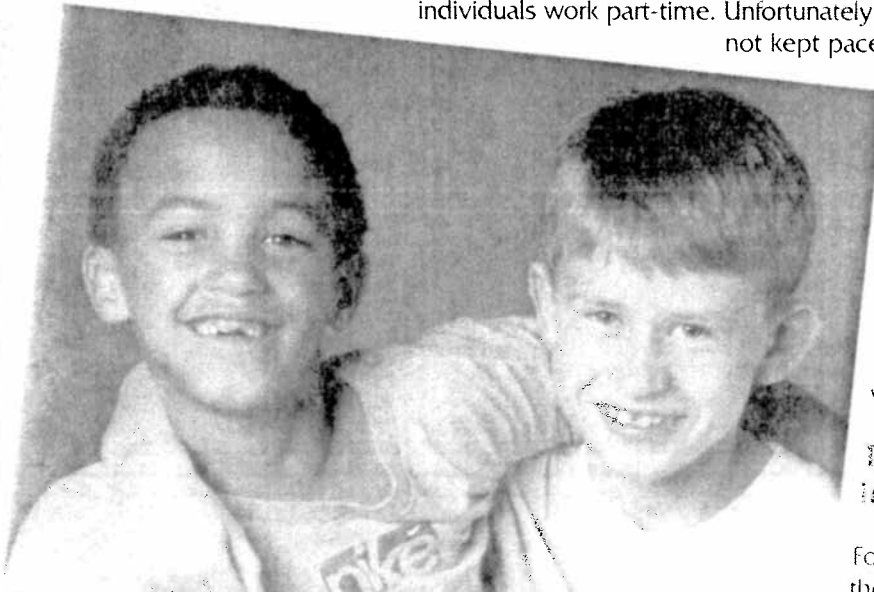
Unemployment insurance (UI) was originally created to provide cash benefits to laid-off workers to support them and their families until they return to work. This support has been an important source of income for traditional full-time workers in Wisconsin. Over the past several years, however, the workforce has changed dramatically, both nationwide and in Wisconsin. Today, about 20 percent of the workforce are part-time workers, many of whom are mothers with children under 18, low-income workers, and former W-2 participants. Family responsibilities are often the reason that these individuals work part-time. Unfortunately, Wisconsin's unemployment insurance program has not kept pace with changes in the composition of the state's

workforce. Under current law, workers in this growing segment of the workforce are not eligible for benefits should they be laid off. As a result, women and low-income workers in Wisconsin are less likely to benefit from UI if they lose their employment. This **WisKids Count Policy Brief** describes the Wisconsin unemployment insurance program and the changes necessary to make our system more family friendly by allowing it to respond appropriately to the state's changing workforce.

### The Unemployment Program in Wisconsin

Following its progressive tradition, Wisconsin became the first state to institute a system of unemployment benefits for workers temporarily laid-off from their jobs in 1932. The program also had the social goals of encouraging stable employment practices and providing a mechanism for economic stimulus during downturns in the economy!

True to its name, Unemployment Insurance is based on an insurance model. Employers contribute a certain amount in taxes based largely on the experience they have had in laying off eligible workers, and workers become eligible for benefits based on the amount of wages they have earned during the period of time leading up to their unemployment.



Wisconsin's unemployment insurance program has not kept pace with changes in the composition of the state's workforce.



The general theory of UI is that only workers who have made a significant contribution to the state's workforce are eligible for benefits. In addition to having sufficient earnings, individuals have to satisfy other requirements to be eligible for benefits. First, they have to be able and available for work at 50 percent of the full time jobs in their areas. Since more than 50 percent of the full time jobs in any area are first shift jobs, this means that people have to be able to work a full time job during the first shift. Full time jobs are defined as jobs that

require 35 hours of work per week. Secondly, they have to conduct two or more work searches per week, and they must document that they applied for jobs with particular employers. Third, individuals may not refuse to accept "suitable work" when it is offered and may not refuse to return to work for a previous employer when recalled. There are federal and state limitations on what may be considered "suitable work." For example a person may not be required to take a job that pays far less than what his or her previous job paid.

### Receiving Benefits While in Training Programs

As a result of a new state law, Act 197, which went into effect on April 25, 2004, workers who participate part time in training programs administered by DWD are now eligible to receive UI as long as they are otherwise eligible for benefits. Under the old law, only those engaged in full time training could still receive benefits. In addition, recipients may be able to work part time, participate in training part time and collect unemployment all at the same time. They would not be disqualified for failing to accept jobs offered by their previous employers, be available for work, register for work, search for work, or accept other suitable work that is offered.


### Benefit Extension

The federal Temporary Extended Unemployment Compensation (TEUC), which provided benefits for those who exhausted their regular benefits but who were still unemployed, ended on December 27, 2003. Those who are entitled to benefits that accrued before that date could have received their extended benefits until April 3, 2004. At this time, there is no other extended benefits program. Although there has been some movement in Congress, to date unemployment benefits have not been extended.

### Changing Workforce

The UI system was set up at a time when full-time male breadwinners dominated the workforce. Eligibility criteria and benefit levels were established with this workforce paradigm in mind. Today, around 30 percent of all workers are in non-standard jobs (part-time, part-year, and/or temporary). Women have entered in the labor force in great numbers, with many balancing family and work responsibilities. Their entry further contributed to the expansion of part-time and part-year employment.<sup>2</sup>

In 1999, 68 percent of Wisconsin women aged 16 and older were in the labor force, substantially higher than the 60.5 percent rate for the country as a whole. Only two states, Minnesota and Nebraska, have a greater percentage of women in the workforce. White women's participation in the workforce in Wisconsin was higher than white women nationally (68% v 61%) and African American women had an average labor force participation rate that was 7.4 percentage points higher than that of white women and 11 percentage points above the national rate for African American women.<sup>3</sup> Mothers represent the fastest growing segment of the workforce.



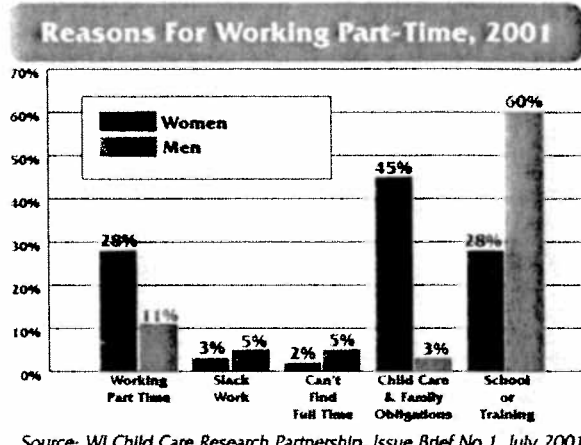
Today, around 30 percent of all workers are in non-standard jobs.

Women have entered the labor force in great numbers, with many balancing family and work responsibilities.

An increasing number of women with children under 18 (79 percent) in Wisconsin are engaged in the labor market. In the nation as a whole, 67.5 percent of mothers with children under age 18 are working.

### Who Works Part Time?

Although Wisconsin women are more connected to the workforce than in the nation as a whole, they are less likely to be employed full-time (69.2 percent versus 72 percent). Not surprisingly, therefore, the percentage of women working part-time is higher than the national average (28 percent versus 24 percent). Of the women working part-time, however, fully 45 percent are working part-time due to childcare and other family considerations.<sup>4</sup> The percentage of women in the labor force who are "involuntarily" working part-time — that is, they would prefer to work full-time were the jobs available — is slightly less in the state than in the country as a whole. Workers are considered involuntarily working part-time if they state their reason for working part-time as reduced hours at one's normally full-time job, reduced seasonal demand, poor business conditions, or inability to find full-time work. The Bureau of Labor Statistics does not consider lack of childcare and some other family considerations involuntary reasons for part-time work.<sup>5</sup>



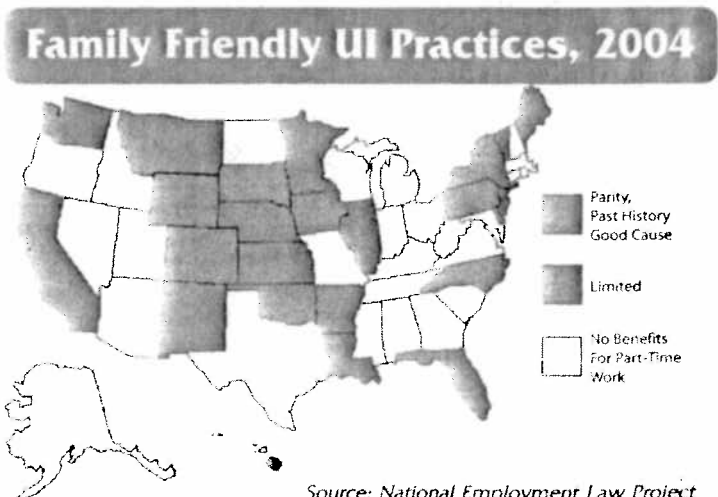
Of the women working part-time, however, fully 45 percent are working part-time due to childcare and other family considerations.

### Unemployment

In 2002, Wisconsin had an unemployment rate only slightly lower than the nation as a whole. However, for women the rate of unemployment was significantly better (4.5 percent vs 5.6 percent). Men in Wisconsin, however, were unemployed at a rate higher than the national average (6.5 percent of men were unemployed, compared with national rate of 5.9 percent). For people of color in Wisconsin, the picture is grimmer. According to the Bureau of Labor Statistics, more than 19 percent of African American men are unemployed in the state. This rate is close to four times that of white men, giving Wisconsin the dubious distinction of having one of the largest black-white disparities in unemployment in the country. Although reliable data are not available for Latino and Asian American unemployed workers in Wisconsin, nationally the unemployment rate for Hispanic workers was 7.6 percent and 5.9 percent for Asian Americans in 2002. These rates, too, are significantly higher than rates for white unemployed workers (4.8 percent).

### How is Part-Time Work Treated in Other States?

Twenty-four states make some provision for unemployment insurance for part-time workers. Of these, nine (Delaware, Kansas, Nebraska, Pennsylvania, South Dakota, Vermont and Wyoming) have "part-time parity", or policies that treat part-time workers just like full-time workers. Thirteen states permit payment of benefits when the claimant has done a substantial amount of part-time work prior to filing the claim (Arkansas, Colorado, Florida, Hawaii, Iowa, Louisiana, Maine, Minnesota, New Jersey, New York, North Carolina, Oklahoma and Puerto Rico). Finally, two jurisdictions (District of Columbia and Rhode Island) allow workers to receive benefits even if they are only seeking part-time work if they can show good cause for not seeking a full-time job. The remaining 25 states, including Wisconsin, require availability for full time work, without exception.<sup>6</sup>



Working & Poor: WisKids Count Report on Making Unemployment Work for Families was produced through the generous support of:

- The Annie E. Casey Foundation
- The Joyce Foundation
- Hausmann-Johnson Insurance
- Kohl's Charities
- Wisconsin Education Association Council ?

Jacquelyn Boggess, *President*  
 William Perloff, MD, *Vice President*  
 Tonya L. Brito, *Secretary*  
 Bishop Donald Ott, *Treasurer*

Charity Eleson, *Executive Director*  
 M. Martha Cranley, *WisKids Count Coordinator*  
 Robert Andersen, *Senior Staff Attorney*

**Mission Statement**  
 The Wisconsin Council on Children and Families is a state-wide, multi-issue child advocacy organization. It works to improve the well being of children and families by advocating for effective health, education, justice and human service programs that are accessible and equitable for children.



### The Last Safety Net

Unemployment insurance is often the only form of support that recently unemployed adults can turn to. Recent earnings may make them ineligible for the Wisconsin Works program, and there is no other form of cash assistance they can draw on to pay bills, maintain housing and support their children. Additionally, low-income families who have been in low-wage or part-time jobs often have little or no cash reserves to assist them in bridging the gap between their last job and the next. The General Accounting Office (GAO) examined the use of the UI program by low-wage and unemployed workers and found that low-wage workers are less likely than other unemployed workers to receive UI benefits, even though they are twice as likely to become unemployed.<sup>1</sup> We know that, upon leaving, W-2 participants are more likely to obtain part-time jobs. But if they lose those jobs, they are not eligible for UI, and may not be eligible to return immediately to W-2. This circumstance leaves low-income families with children in a particularly precarious financial situation, putting them at risk of losing housing and failing to meet other basic needs.

### Wisconsin Law Needs to Change

To be eligible for UI, in addition to having sufficient earnings, a person must be able and available for work at 50 percent of the full time jobs in their area. This Department of Workforce Development rule presents two problems for the new non-traditional workforce. First, workers have to be available for full time jobs. Secondly, they must be available to work first shift jobs, because 50 percent of the full time jobs are, by definition, first shift jobs. Many people with family obligations simply cannot work full time in a first shift job.

In order to continue serving the purpose for which unemployment insurance was intended, UI law must be changed to require only that workers be available for work for 20 hours per week instead of the current 35 hours. In addition, the requirement that persons claiming benefits be available for 50 percent of the full time jobs should be repealed in order to accommodate non-traditional workers.

### Conclusion

One of the most consistent findings in child development research is the strong relationship between family economic hardship and poor outcomes for children. Families that work hard but are nevertheless living from one paycheck to the next are extremely vulnerable. They find it nearly impossible to build up savings. This economic insecurity creates stress on parents and in turn on children. For this reason, low-income parents are at greater risk for depression and poor mental health that may manifest itself in harsh, detached parenting.<sup>2</sup> Insulating working families from the extreme hills and valleys associated with losing a job can help to create a stable environment for children while their parents seek future employment.

Social and economic policies that value and support working families and seek to ensure equal opportunity can have an enormous impact on the health and well being of all children and families. The Wisconsin workforce is changing. The unemployment insurance system must change as well to recognize and value the contributions of these new workers.

<sup>1</sup> *Unemployment Insurance System*. Wisconsin Legislative Fiscal Bureau. Informational Paper 70 January 2003.  
<sup>2</sup> *Making Wages Work*. The Finance Project. Web Address: <http://www.financeprojectinfo.org/mww/unemployment.asp>  
<sup>3</sup> *The Status of Women in Wisconsin*. Woman's Policy Research, 2004  
<sup>4</sup> *Geographic Profile of Employment and Unemployment*. Table 13. Bureau of Labor Statistics, 2002  
<sup>5</sup> *Characteristics of the Employed*. Bureau of Labor Statistics. Web address: <http://www.bls.gov/ncps/home>  
<sup>6</sup> *Between a Rock and a Hard Place: Confronting the Failure of State Unemployment Insurance Systems to Serve Women and Working Families*. National Employment Law Project, 2002. pgs 26,27  
<sup>7</sup> General Accounting Office. Web address: [www.gao.gov](http://www.gao.gov)  
<sup>8</sup> (G. Downey and J.C. Coyne. "Children of depressed parents: An integrative review." Psychological Bulletin, 108 (1990))