

Committee Name:

Senate Committee – Economic Development, Job Creation and Housing (SC–EDJCH)

Appointments

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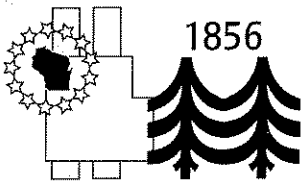
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Wood County WISCONSIN

OFFICE OF PLANNING AND ZONING

May 15, 2003

TO: Senate and Assembly Economic Development Committees
FR: Gary Popelka, AICP, Director, Wood County Planning and Zoning Office
RE: Regulatory impediments to economic growth in Wisconsin

Honorable Senators and Representatives:

My name is Gary Popelka. I am the Planning and Zoning Director for Wood County in Central Wisconsin. I am here today to present a couple of very recent experiences with state regulations that have impeded economic growth in our part of the State.

The first is regarding a proposed power plant in Wood County. In July 2001, Calpine Corporation announced plans to build a 900-megawatt electric facility called the Sherry Energy Center in Wood County. Calpine has contracts with Wisconsin Energy Power Company for 225-megawatts and Wisconsin Public Service Corporation for 141-megawatts. Both are 10-year contracts. Calpine's July 2001 news release said that construction of the \$470 million power plant was to begin the second quarter of 2002, with commercial operation to begin in the second quarter of 2003. Completion of construction was expected to be in the second quarter of 2004. To date, not one shovel of dirt has been turned on this project. In a letter to me, dated May 6, 2003, Calpine Project Director, Kent J. Morton, announced, "Calpine has decided not to continue its development efforts for the Sherry Energy Center as originally proposed at this time." In his letter, Mr. Morton stated that Calpine has been working with state regulatory agencies to develop the Sherry Energy Center for more than two years. Late last year the DNR asked Calpine to perform additional studies and an analysis of alternatives to the project as part of their permit approval process. Quoting Mr. Morton, "We have continued to respond to the DNR information requests but, to date, we have not been able to resolve a number of outstanding issues." "Partly as a result of the DNR's request that we explore alternate sites developed by our competitors, and partly as a result of the regulatory uncertainty associated with meeting our contractual commitment to provide power to our Wisconsin customers by certain dates, we acquired the project known as Fox Energy Center LLC." Calpine's deadlines to provide power pursuant to their contracts can no longer be met with the Sherry Energy Center.

What would this power plant have meant to Wood County? According to earlier correspondence from Project Director, Kent Morton, the following are some of the major impacts expected to have been associated with construction and operation of the Sherry Energy Center:

1. Construction was expected to take approximately two years and result in total sales in Wood County in excess of \$200 million. More than \$50 million in sales was expected to occur outside of Wood County but remain within Wisconsin.

2. Construction expenditures in excess of \$150 million would have supported more than 1,500 construction-related jobs and more than 1,200 jobs as a result of indirect and induced expenditures (multiplier effects). More than 600 jobs would have been created in other regions of Wisconsin as a result of the effort.
3. Income of workers in Wood County would have increased by more than \$100 million from jobs created as a result of the construction of the power plant. Jobs created in other parts of Wisconsin in response to construction would have added another \$20 million or more in income in Wisconsin.
4. More than 70% of the economic impacts that would have occurred in Wisconsin as a result of the construction if the plant would have occurred in Wood County.
5. The operation of the Sherry Energy Center would have resulted in more than \$10 million in additional annual output (sales) in Central Wisconsin. Additional sales in excess of \$1 million would have occurred in other parts of Wisconsin as a result of the operation of that power plant. Regional sales increases in excess of \$10 million would have created more than 60 permanent jobs in the electric and other industries and the increase in excess of \$1 million outside of Wood County would have created another 10 or more permanent jobs outside Wood County.
6. New jobs in the electric and other industries resulting from operation of the Sherry Energy Center would have increased the income of workers by more than \$3 million.
7. The permanent jobs created at the Sherry Energy Center would have paid average annual wages at about 80% above average annual wages in Central Wisconsin.
8. Wood County would have received shared revenue payments of \$750,000 a year and the Town of Sherry would have received shared revenue payments of about \$250,000 a year.
9. Options to easements for water and natural gas pipelines would have meant additional thousands of dollars to property owners across whose property those pipelines would have been located.

Wood County and Wisconsin have lost all of this because to quote Mr. Morton, "We have continued to respond to the DNR information requests but, to date, we have not been able to resolve a number of outstanding issues," and, "Calpine has decided not to continue its development efforts for the Sherry Energy Center.....at this time." Rest assured, this was devastating news to our area and will send a negative message to industries around the country about economic development potential in the State of Wisconsin.

The second experience I would like to share with you has a smaller, yet no less important economic impact for our area. This experience deals with development of a bicycle trail in the north part of Wood County and one in the south part of the County. In one case, a bicycle trail was proposed through a small wetland area in the City of Marshfield's well-fields. The trail would connect a new business park with the proposed backbone trail through the city. DNR representatives at first dictated that a raised boardwalk of some 300 feet would be required to cross the wetland. After a full year of negotiations that included the local DNR office, Marshfield City Engineers, Engineering Consultants, and the Marshfield Utility Engineering and Geology staff, the DNR office compromised and allowed the project to go ahead with a boardwalk just slightly over 100 feet in length. The DNR's original conclusion that a 300-foot

boardwalk would be required would have increased project cost by over \$100,000, which may have killed this particular project.

The other trail is located along the Wisconsin River in the City of Nekoosa. The trail is being constructed, in part, to get the many school children who bicycle from Port Edwards to the Nekoosa McDonalds off of the heavily traveled State Highway 73. That highway is traveled by numerous logging and construction trucks as well as commuters between the paper mills in Nekoosa, Port Edwards, and Wisconsin Rapids. The trail has to cross a small tributary creek. We have proposed a 72 foot pre-constructed, clear-span bridge to cross that creek. The U.S. Army Corp of Engineers has inspected the site and will require no permits. I have been told by the local office of the DNR that **it will take at least six months to obtain a permit** to install this bridge. That being the case, we will lose a full season of trail use, cost of the bridge will increase and the safety of the people for whom the trail is being constructed will continue to be jeopardized because of unwarranted delays.

In the case of both of these trails the communities in which they are located and Wood County expect to capitalize on tourism dollars by promoting the trail system that is being developed in our county. These delays are not only costly for construction they are costly because of the loss of those tourism dollars.

I've given you three very recent examples of state regulations that have impeded economic growth in Wood County, both for private investment and for public investment. Thank you for your time. I appreciate your listening and I would be happy to answer any questions or provide further clarification.


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Calpine Corporation (ticker: CPN, exchange: New York Stock Exchange) News Release - 7/17/01

Calpine Announces 900-MW Sherry Energy Center

SAN JOSE, Calif., July 17 /PRNewswire/ -- Calpine Corporation (NYSE: CPN), the nation's fastest growing independent power producer, announced plans to build a 900-megawatt electric generating facility called the Sherry Energy Center in Wood County, Wisc. Calpine has entered into agreements to supply 225 megawatts of electric capacity and energy from the plant to Wisconsin Electric Power Company (WEPCo) and 141 megawatts of electric capacity and energy to Wisconsin Public Service Corporation (WPSC). The Sherry Energy Center will be located adjacent to the existing Arpin substation on the important Arpin-Eau Claire transmission line.

Fueled by clean natural gas, the 900-megawatt Sherry Energy Center will include a 600- megawatt combined-cycle facility incorporating two combustion turbines and one steam turbine, and a 300-megawatt simple-cycle plant incorporating four combustion turbines. The facility will deliver power to Wisconsin's grid at a time when the state is in great need of additional generating resources to meet its rapidly growing electric requirements. The Sherry Energy Center will be one of the most fuel-efficient facilities in the state, while having one of the lowest emissions rates.

The power sale agreement with WEPCo is for a term of ten years. Under the agreement, WEPCo will have dispatch rights for 225 megawatts produced by the combined-cycle plant and will manage the purchase and delivery of fuel used to generate power for its use. The power sale to WPSC is also for a term of ten years. Under the WPSC agreement, WPSC will have dispatch rights for two of the simple-cycle units, totaling 141 megawatts, and will manage the purchase and delivery of fuel used to generate power for its use. Calpine will sell the remaining output to other Wisconsin utilities and wholesale power purchasers.

John King, Calpine's senior vice president, said, "We commend WEPCo and WPSC for making these commitments to secure a vital new source of clean, reliable and affordably priced electricity to help meet Wisconsin's rapidly growing power demand. We are proud to be working with these two companies to help provide the power supplies that Wisconsin needs."

> PR Contact Info:

Need to contact Calpine Public Relations?

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> Calpine at a Glance:

- Founded in 1984
- Traded on the New York Stock Exchange (CPN)
- Listed on S&P 500
- Ranked 25th among *FORTUNE* magazine's 100 fastest growing companies
- 5,900 megawatts in operation, 14,000 megawatts in construction and 16,200 megawatts in announced development
- Will soon own 1.7 trillion cubic feet of natural gas reserves
- Uses clean, proven technologies: natural gas combined-cycle and geothermal energy
- Largest construction program (\$15 billion) in history of power industry
- World's largest geothermal power producer


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Construction of the \$470 million Sherry Energy Center is expected to begin during the second quarter of 2002, with commercial operation of the simple-cycle units starting in the second quarter of 2003. The combined-cycle plant is expected to enter commercial operation in the second quarter of 2004. Calpine will manage the construction of the project, and will own and operate the facility as part of its new fleet of fuel-efficient power facilities throughout the United States.

Based in San Jose, Calif., Calpine Corporation is dedicated to providing customers with reliable and competitively priced electricity. Calpine is focused on clean, efficient combined-cycle, natural gas-fired generation and is the world's largest producer of renewable geothermal energy. Calpine has launched the largest power development program in North America. To date, the company has approximately 34,600 megawatts of base load capacity and 8,000 megawatts of peaking capacity in operation, under construction, pending acquisitions and in announced development in 29 states, the United Kingdom and Canada. The company was founded in 1984 and is publicly traded on the New York Stock Exchange under the symbol CPN. For more information about Calpine, visit its Website at www.calpine.com.

This news release discusses certain matters that may be considered "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the intent, belief or current expectations of Calpine Corporation ("the Company") and its management. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties that could materially affect actual results such as, but not limited to, (i) changes in government regulations and anticipated deregulation of the electric energy industry; (ii) commercial operations of new plants that may be delayed or prevented because of various development and construction risks, such as a failure to obtain financing and the necessary permits to operate or the failure of third-party contractors to perform their contractual obligations, (iii) cost estimates are preliminary and actual cost may be higher than estimated, (iv) the assurance that the Company will develop additional plants, (v) a competitor's development of a lower-cost generating gas-fired power plant or (vi) the risks associated with marketing and selling power from power plants in the newly competitive energy market. Prospective investors are also referred to the other risks identified from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission.

SOURCE Calpine Corporation

CONTACT: media, Katherine Potter, 408-995-5115, ext. 1168, or investors, Rick Barraza, 408-995-5115, ext. 1125, both of Calpine Corporation/

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CALPINE

650 DUNDEE ROAD
SUITE 350
NORTHBROOK, ILLINOIS 60062
847.559.9800
847.559.1805 (FAX)

May 6, 2003

Mr. Gary Popelka
Director, Planning & Zoning
Wood County 400 Market Street
P.O. Box 8095
Wisconsin Rapids, WI 54495-8095

Dear Director Popelka:

As you may know, Calpine has been working with state regulatory agencies to develop the Sherry Energy Center for more than two years. Late last year we were asked to perform additional studies and an analysis of alternatives to the project as part of our permit approval process with the Wisconsin Department of Natural Resources ("DNR"). We have continued to respond to the DNR information requests but, to date, we have not been able to resolve a number of outstanding issues.

As you also may know, other independent power companies have already received final approvals for power plants in the state, but have not begun construction on those projects due to general economic and financial difficulties. Partly as a result of the DNR's request that we explore alternate sites developed by our competitors, and partly as a result of the regulatory uncertainty associated with meeting our contractual commitments to provide power to our Wisconsin customers by certain dates, we acquired the project known as Fox Energy Center LLC. Fox Energy is a fully permitted power plant to be located near Kaukauna.

As a result of this recent acquisition, Calpine has decided not to continue its development efforts for the Sherry Energy Center *as originally proposed* at this time. We will, however, continue to consider the Sherry site as an option for commercial completion at a later date, or as a smaller, peaking-type power plant. The Sherry site offers many advantages, including its close proximity to a major substation, the solid working relationship we have enjoyed with local officials, and the amount of effort we have already expended on our permitting efforts. In particular, we would like to commend those persons who have worked so hard on the Development Agreement under which Calpine sought to address and mitigate or remedy the concerns the Town of Sherry and nearby landowners might have had with the facility.

We appreciate the time and interest you have given us as we worked to develop this project. If you have any questions about this business decision, please call me at 847-504-3346.

Sincerely,

Kent J. Morton
Project Director

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WOOD COUNTY
PLANNING AND ZONING OFFICE



Wisconsin Transportation Builders Association
"Connecting Wisconsin to the World"

President
Bill Kraemer
The Kraemer Company
Plain, WI

Executive Director
Tom Walker

1 S. Pinckney Street
Suite 818
Madison, WI 53703

608.256.6891 voice
608.256.1670 fax

info@wtba.org
www.wtba.org

**Testimony of Wisconsin Transportation Builders Association before the Senate
Committee on Economic Development, Job Creation and Housing and the Assembly
Committee on Economic Development**

Economic Impacts of Wisconsin's Regulatory Climate on the Economy

May 15, 2003

Patrick Stevens, Corporate Counsel

Background

Thank you for the opportunity to testify today on the important issue of how Wisconsin's regulatory climate impacts economic development. My name is Patrick Stevens and I am Corporate Counsel and Director of Environmental Policy and Regulations for Wisconsin Transportation Builders Association (WTBA). WTBA is a statewide association of approximately 300 companies that plan, design, construct and maintain all types of transportation facilities, including airports, railroads, highways, bridges, bike paths and pedestrian facilities. I have worked on environmental issues in Wisconsin for approximately ten years. I have served on dozens of rule-writing committees at DNR, and testified or prepared written comments on many other rule packages.

Our membership is impacted by a vast array of regulations, particularly in the environmental area. The types of environmental issues we get involved in fall into three categories. First, we have regulations issues pertaining to production facilities. Many of our members have nonmetallic mines, asphalt plants, or concrete plants. These facilities are heavily regulated by DNR, and they generally have air and water permits. Second, we have regulations that apply during construction. The major focus in this area is on erosion control, but other regulatory issues arise as well. Finally, we get involved in regulatory matters that impact the transportation system in general

My comments today will focus on this third category of issues. More specifically, I will be discussing the upcoming eight-hour ozone nonattainment areas, and how those designations could impact Wisconsin's transportation system.

Prior to discussing conformity, however, I would like to emphasize with you the important link between transportation and economic development. Perhaps the clearest example of this link relates to Wisconsin's Corridors 2020 Plan, which was finalized in 1988. Corridors 2020 was a blueprint for connecting population and major economic centers and tying them to the national transportation network. *Between 1990 and 2001, new or expanding industrial firms created more than 80,000 jobs in Wisconsin...90% of these new jobs were located within 4 miles of a Corridors 2020 route.*

Eight-Hour Ozone Standard

With that, let me turn to the issue of Wisconsin eight hour ozone nonattainment areas. As you are probably aware, Southeastern Wisconsin currently exceeds the one-hour, 124 parts per billion, ozone standard. In addition, Wisconsin has had other counties in the state, located along the Lake Michigan shore, that have violated the one-hour ozone standard.

Now, however, there is a new eight-hour, 84 parts per billion ozone standard. Compliance with the standard is based on an average of the annual fourth highest reading averaged over the most recent three years. Under the Clean Air Act, the Governor may recommend attainment and nonattainment areas. EPA has requested Wisconsin provide its recommendations for nonattainment status in July, 2003, and it plans to designate nonattainment areas in April of 2004. While the Governor will be making its recommendation based on 2000-2002 data, EPA will ultimately make nonattainment decisions based on 2001-03 data.

DNR is currently considering proposing that an expanded list of counties be designated nonattainment (see attached DNR map). DNR is considering some of these counties because they exceed the standard based on 2000-02 data. These counties include: Kenosha; Racine; Milwaukee, Ozaukee; Sheboygan; Manitowoc; Kewaunee and Door. Two other counties, Waukesha and Washington, which do not violate the standard, will likely be designated nonattainment because they are considered part of the Milwaukee metropolitan area.

DNR is also considering recommending the following areas be designated as nonattainment, even though they meet the ozone standard: *Rock; Walworth; Jefferson; Dane; Columbia; Dodge; Fond Du Lac; Winnebago; Outagamie; Calumet and Brown counties.* DNR is assuming that Rock, Walworth, Jefferson, and Brown might exceed the ozone standard after the 2003 ozone season. The other counties are being considered because DNR asserts they may be contributing to nonattainment in other areas.

Conformity

Nonattainment status can have a major impact on counties. For communities interested in economic growth and prosperity, this is a major disadvantage to recruiting new businesses, particularly given the great deal of flexibility companies have locating their operations. Businesses wishing to locate in these areas must meet stringent regulatory requirements that do not apply in attainment areas. *This impact is particularly disconcerting, given many of the communities being considered for nonattainment status continue to meet the air quality standard.*

Nonattainment status, however also can have a significant impact on the transportation system, and, consequently, economic growth. If an area is designated as nonattainment, it must meet "conformity" requirements. In essence, this means that the total emissions from a transportation plan or program must not exceed a very tight emissions cap established for the mobile sector in the air quality plan (known as a "State Implementation Plan"). If the emissions cap is exceeded, there is a "conformity lapse", and the use of federal transportation funds, even for small capacity projects, is generally prohibited. Thus, one of the key tools for economic growth is stifled.

As an aside, conformity is a frustrating process because there is little that can be done to further control emissions from the mobile sector, particularly in rural areas such as Jefferson County. When conformity

requirements were put in place, it was assumed that conformity requirements could be met by adding transit projects to reduce emissions. This assumption was incorrect. Even in urban areas, such as the Metropolitan Milwaukee area, a significant expansion of transit produces only an extremely small decrease in emissions. In many rural areas, transit is not even a viable option.

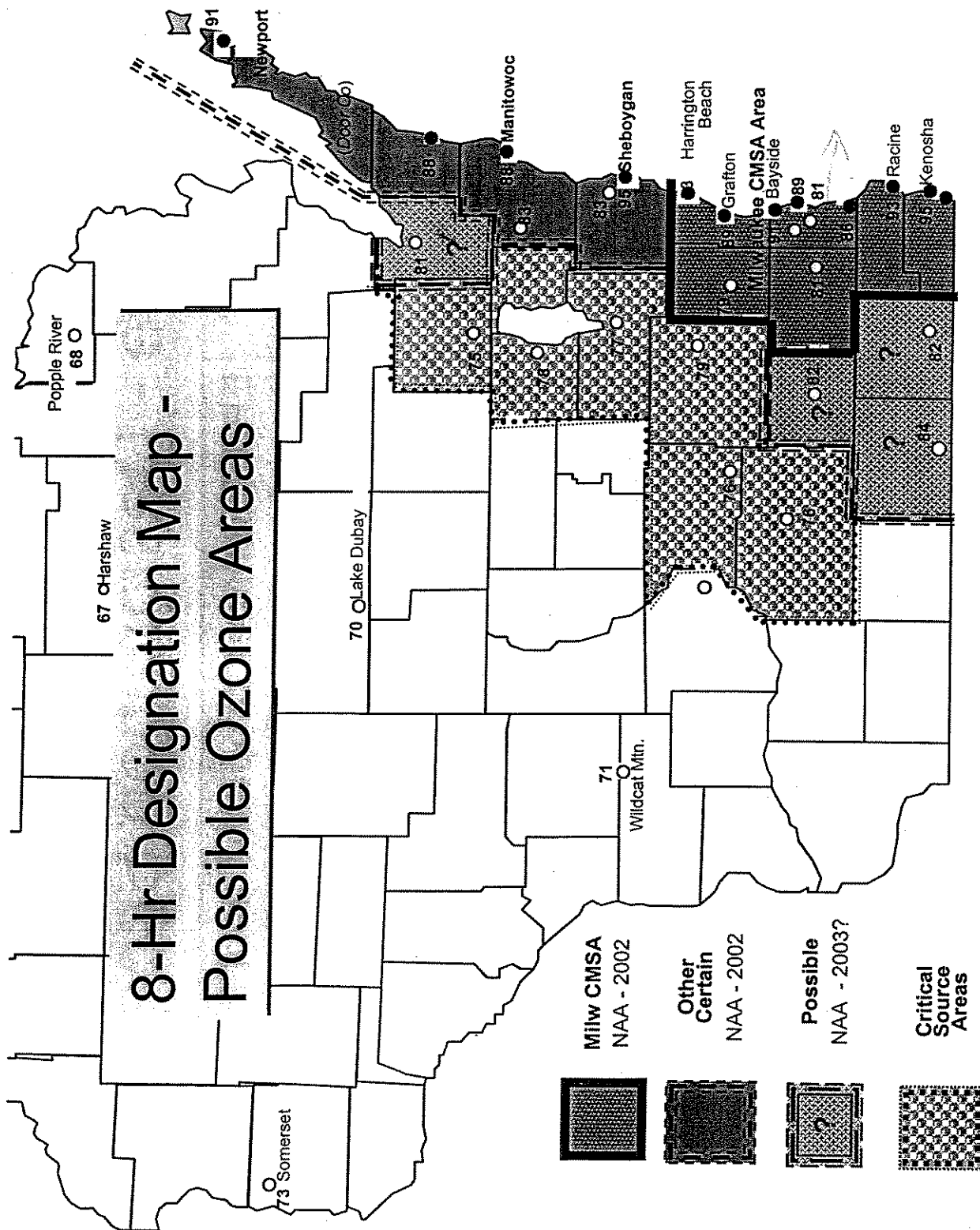
Also, it is worth noting that one item that would likely be considered for implementation in new nonattainment areas is a program for inspecting tailpipe emissions. This has been a controversial program in southeastern Wisconsin.

Conclusion

This is an example of a regulatory issue that potentially impacts Wisconsin's transportation system, and consequently, economic development. While conformity is a federal requirement, Wisconsin can attempt to minimize the impact of these requirements, and the other negative impacts of nonattainment status, by limiting the areas it requests to be designated nonattainment to counties in which monitors actually demonstrate violations of the air quality standard. If policy makers believe attainment areas need to be further regulated to protect public health, they should adopt a law requiring reductions in a manner that makes sense, rather than locking these areas into a federal regulatory scheme by having them designated nonattainment.

We would encourage your Committees to monitor decisions regarding eight-hour ozone standard closely. In addition to tracking nonattainment designations, the Committees should also monitor for efforts to impose regulatory requirements in attainment areas, given that Wisconsin law restricts going beyond federal requirements.

Thank you for your consideration of this testimony.



8-Hr Designation Map - Possible Ozone Areas

Average Annual 4th Highest Peak Daily Running 8-Hr Ozone Values (a)
WI Ozone Monitoring Sites 2000 - 2002



WISCONSIN

**Statement Before the
Senate Committee on Economic Development, Job Creation and Housing
And
Assembly Committee on
Economic Development**

By

**Bill G. Smith
State Director
National Federation of Independent Business
Wisconsin Chapter**

**May 15, 2003
Joint Public Hearing on the Impact of
Wisconsin's Regulatory Climate on Our Ability
To Grow the Economy**

My name is Bill G. Smith and I am State Director for the Wisconsin Chapter of the National Federation of Independent Business, an organization of nearly 13,000 member firms, and celebrating our 60th year of advocacy on behalf of small and independent business.

I'd like to begin my testimony by thanking the Chairman and members of the Committee for holding the hearing today on a very important issue to not just our state's big business community, but to our small business community as well.

Yesterday, I testified in favor of a bill, Senate Bill 100, that would call on state government to be more sensitive to how regulations proposed by state agencies impact small business. Assembly Bill 267, introduced by Representative Terri McCormick is the companion bill. The goal of these Small Business Regulatory Fairness proposals is to help government understand and address the inequity and basic unfairness of regulating Al's Garage in Rhinelander the same as Briggs and Stratton in Milwaukee.

Simply stated, Senate Bill 100 and Assembly Bill 267 would require agencies to assess and consider the impact of regulations on small business, and whenever possible, to lessen the burden or reduce the impact without altering the public policy goal.

In March of 2002, a Small Business Task Force on Regulatory Reform held the first of a dozen meetings to examine Wisconsin's regulatory environment and the effectiveness of Wisconsin's own Regulatory Flexibility Act. The Task Force members included ten small business owners and organizations that represented nearly 30,000 firms with staff assistance for the task force provided by the Department of Commerce.

David Storey, Deputy Secretary at the Department of Commerce and myself co-chaired the work of the Task Force.

The group examined the existing regulatory process for opportunities to reduce the negative impact of state rules and regulations on small businesses and to increase the level of regulatory compliance. The Task Force also discussed necessary changes needed to ensure that Wisconsin's regulatory environment is both efficient and cost-effective.

Senate Bill 100 and Assembly Bill 267, incorporate the recommendations of the 2002 Task Force on Small Business Regulatory Reform:

- Write clear-cut rules that will not be open to interpretation. Use simple plain language and reduce cross-referencing to other statutes.
- Create a Small Business Regulatory Review Board to enforce components of the Regulatory Flexibility Act.
- Design compliance schedules that provide additional time for small businesses to understand and comply with new regulations.
- Require an agency to include enforcement provisions in the regulations. If the agency does not indicate how the rule will be enforced, the rule will not receive approval from the Small Business Regulatory Review Board.

The regulation of small business is not just a parochial problem; it is also a public problem. The public interest lies in at least two areas: 1) the disproportionate impact of government regulations on small business reduces the competitive capacity of small business, thereby impacting the economic growth of our state; 2) consumers are forced to a large extent to bear the costs of regulation in the form of higher prices. Therefore, the immediate visible impact is felt by the small business owner, but the public shares the burden. In 1998, the median two-earner family's after-tax income of \$41,846 contained \$7,410 in hidden regulatory costs. Thus, regulatory costs consume about 18 percent of the after-tax family budget.

The cost of regulations for small business is sometimes referred to as a hidden tax, amounting to thousands of dollars. One study (Crain-Hopkins Report-Rochester Institute of Technology) concludes, "firms employing fewer than 20 employees face an annual burden of \$6,975 per employee, a burden nearly 60 percent more than facing a big business employing over 500 employees."

A study by the SBA's Office of Advocacy found smaller firms spend up to 80 percent more per employee complying with state/federal regulations than big business.

In fact, the SBA says small firms account for 63% of businesses total regulatory costs.

NFIB studies show a majority of our members report it is impossible to have knowledge and be in compliance with all state regulations that affect their business. Almost 40 percent say only the most important regulations are known and understood, and over 40 percent say the negative effects of state regulations have forced them to postpone the expansions of their business. And one out of every five small businesses believe the negative impact of state regulations has caused the elimination of jobs at their business.

The goal of regulatory reform is to reduce the negative impact of regulations on small business, to increase regulatory compliance, and to promote more cost-effective regulatory environment.

In today's regulatory environment, small business owners find themselves unsure of their compliance status, unaware of new rules under development, uninvolved with the rule-making process, and uncertain of who to call for help within a state agency.

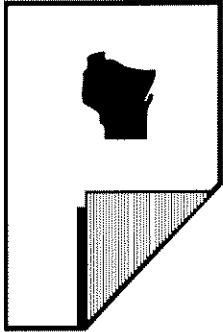
The Small Business Regulatory Fairness proposals, SB 100 and AB 267, we believe will improve Wisconsin's regulatory climate while strengthening the small business economy by reducing the negative impact of regulations on small business, increasing regulatory compliance, while also promoting more cost effective regulatory enforcement.

We urge members of the Senate and Assembly Committees on Economic Development to embrace these proposals, and we hope you will promote them as part of an overall strategy to grow Wisconsin's economy.

Thank you.

WISCONSIN PAPER COUNCIL

250 N. GREEN BAY ROAD
P.O. BOX 718
NEENAH, WI 54957-0718
PHONE: 920-722-1500
FAX: 920-722-7541
www.wipapercouncil.org



May 15, 2003

TESTIMONY OF PATRICK J. SCHILLINGER, PRESIDENT WISCONSIN PAPER COUNCIL

Dear Sen. Stepp, Rep. McCormick and members of the Assembly Committee on Economic Development and Senate Committee on Economic Development, Job Creation and Housing:

Thank you for the opportunity to speak today about the importance of the paper industry to Wisconsin's economy and the issues of environmental regulation. My name is Pat Schillinger and I am President of the Wisconsin Paper Council. The WPC is the trade association of the pulp, paper and allied industries of Wisconsin. We have roughly 125 members.

Wisconsin is the number one paper producing state in the country, and has been so for the last 50 years. We have been making paper in Wisconsin since before it officially became a state. The paper industry in Wisconsin helps drive this State's economy. Over 45,000 people are employed in the paper industry in Wisconsin and papermakers earn, on average, over \$49,000 annually; well above the state average of \$30,000. These are family-sustaining jobs. The paper industry pumps more than \$2.5 billion in wages alone into Wisconsin's economy annually and supports another 125,000 jobs according to the UW.

Paper and forest product companies are the top employers in 28 Wisconsin counties and are in the top 3 in 14 others. That puts our industry in the top 3 employers in a majority of Wisconsin's counties. The paper industry has been recognized as one of Wisconsin's eleven main industry clusters and we achieved the highest cluster ranking of any Wisconsin industry according to a national study conducted by Harvard's Business School.

Clearly, if we are to maintain and enhance Wisconsin's economy, the paper industry will be a critical factor.

Wisconsin's paper industry, however, is facing some serious challenges and has undergone some major changes in the past few years. While 15

years ago the majority of Wisconsin's paper mills were owned locally, today a majority are owned by companies located outside of Wisconsin. Five years ago no Wisconsin mills were owned by foreign corporations. Today, six are. Pulp and paper has become, almost overnight, a global commodity run by global corporations. Whereas only a few years ago, most of our mill executives walked across the street to have decisions made, they are now flying across the country and across the world to meet with corporate decision makers. In addition, this new phenomenon in the paper industry means that our mills are often competing against sister corporate mills in other states and in other countries for resources to maintain, improve, upgrade or add to their lines.

Paper machines and paper mills are some of the most capital intensive manufacturing industries with new machines costing nearly half a billion dollars and upgrades to current machines often costing tens of millions of dollars. Unfortunately, Wisconsin has the second oldest asset base of machines in the country. Without capital investment, our mills cannot compete. In order to gain capital, our mill managers need to make the financial case to corporate decision makers that Wisconsin is a place to invest their limited resources.

Wisconsin's business climate (and the perception of Wisconsin's business climate) is a concern for our industry. Wisconsin is perceived to be a state with high taxes, slow and cumbersome regulatory policies and an unreceptive governmental attitude. We need to change this perception.

Decisions on whether to invest in a paper mill depend on several factors, some of which are within Wisconsin's ability to control, and some of which aren't. For example, the cost of the US dollar can make foreign imports of pulp and paper cheaper than Wisconsin pulp and paper. Labor costs in undeveloped countries are beyond Wisconsin's ability to regulate. Therefore, the issues we can control, we should be doing all we can to make the necessary improvements.

The scope of today's joint meeting is to discuss Wisconsin's regulatory climate. This is an issue that you, as policymakers, can have some control over. I would like to state, however, that environmental regulations are not the most expensive part of doing business for a paper mill in Wisconsin. Working within the environmental regulatory structure is a transactional cost of doing business because both time and money are spent complying with the regulations. From that standpoint, Wisconsin needs to be competitive with other states as far as the amount of time, effort and resources that are required of business to comply with the regulations.

The paper industry is a heavily regulated, mature industry. Wisconsin's paper mills spend millions annually to comply with an array of state and federal environmental regulations. Nearly anything a paper mill does, or would like to do, requires a permit

from the DNR. Therefore, if a paper mill in Wisconsin wants to make a repair to its machine, wants to upgrade a process, or wants to add production capability, it would likely need approval from the DNR through its permitting process. According to our members who have mills in other states and countries, the Wisconsin DNR takes too long to process permits and often requires much more from a permittee.

For example, one of our members recently received a permit to rebuild a part of their paper machine. The permit took seven months to process and required the mill's employees to go back over calculations three times. During that same time period, that same corporation received permits for two brand new machines in two other states in 90 days.

We do not want to weaken Wisconsin's environmental regulations. Please allow me to repeat that for emphasis. We do not want to weaken Wisconsin's environmental regulations. The paper industry in Wisconsin is committed to environmental protection and stewardship. We recognize our commitment to protecting the environment as part of responsible corporate citizenship and good business. In fact, the Wisconsin Paper Industry has created three voluntary environmental programs with the DNR that take our industry beyond compliance in several major air, water and waste discharge programs. We have been recognized by the DNR for these actions. However, the environmental regulatory process in Wisconsin needs to become more streamlined in our opinion.

The world economy has changed, business has changed, and so too must the State of Wisconsin change. We cannot wait months for permits. In the new economy information moves at the speed of light; change is constant. In order to compete, our mills, and Wisconsin's industry in general, must be able to make decisions quickly and that means getting responses more quickly from the regulatory agencies that hold the key to authority over those decision.

It should be noted that changing the environmental regulatory process in Wisconsin is not as simple as making changes to state law or administrative code. Much of what drives environmental regulation comes from the federal government and is simply administered and/or interpreted by the Wisconsin DNR. On the air side of regulation, the federal New Source Review (NSR) program of the Clean Air Act has become a hindrance to economic development and environmental protection in Wisconsin.

Let me give you one example. One of our paper mills recently proposed a project that would have taken ozone-harming gases and turned them into energy, thereby enhancing the environment and reducing energy consumption. It was a win-win for the environment and for the economy of this mill. The DNR was cooperative of the change, however, under their estimations, this project would have triggered NSR and unfortunately it became too expensive for the mill to implement.

The federal government has recognized this problem and the EPA has proposed changes to NSR. These changes are highly welcomed by the paper industry in Wisconsin. Unfortunately, Wisconsin has sued the federal government over these reforms and DNR staff is actively working and testifying against these reform proposals. That message has been received by our corporate leaders and has reinforced their beliefs that Wisconsin is not a friendly place to conduct business.

Having said all this, it is important for you to know that we have been working with Secretary Hassett and staff at the DNR in an attempt to cooperatively come to consensus on ideas for reform. We have appreciated their public and private comments on the need to reform the regulatory system where appropriate. We take their word seriously and we are optimistic that real change can occur.

Finally, I feel I would be remiss if I did not mention that the issue of regulatory reform is not a partisan issue and is not being used by the paper industry in anyway for partisan purposes.

Before Governor Doyle and his Administration took over, we had been meeting with DNR on issues of concern to us and in fact went to court on one issue we could not agree upon. This happened prior to the current Administration. Timing in politics, as you know, is everything. New Source Review reform occurred shortly into the Doyle Administration's tenure, and it was the Doyle Administration that sued to block implementation of these reforms. We have been critical of these actions and would have been regardless of the Administration.

Finally, as I stated earlier, the paper industry in Wisconsin has changed significantly in the past three years. When we had local companies with only one major mill in this state there wasn't an issue of dealing with or being able to compare other regulatory agencies. That is not the case in 2003. Our corporate mills compete with other states and so every transactional cost, including regulatory issues, have come under closer scrutiny. It is one issue Wisconsin policy makers have control over and therefore it has begun receiving attention lately.

We think it is appropriate that attention is paid to this important issue, and we hope that true leadership emerges from our elected officials on reforming the process of regulating Wisconsin's environment. Wisconsin's paper industry is committed to doing our part and we will partner with the State in any way we can to achieve the mutually beneficial goals of protecting Wisconsin's vital natural resources, and creating a competitive business environment in which Wisconsin's companies can flourish.

Thank you for your time and attention.



Wisconsin Builders Association

Dedicated to Preserving and Promoting the American Dream

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Deputy Executive Vice President
Jerrv Deschane



Memorandum

TO: Senator Stepp, Representative McCormick and members of the Senate and Assembly Economic Development Committees

FROM: Jack Sjostrom, President
Bill Carity, Past-President
Jerry Deschane, Deputy Executive Vice-President

DATE: May 15, 2003

RE: Regulatory reform

On behalf of the roughly 7,000 members of the Wisconsin Builders Association, please accept our thanks for shining the bright light of a hearing on this critical topic. Although it gets too little notice, the crushing impact of regulation is of greater concern to Wisconsin's economy than even the state budget deficit. It is time to address this problem.

The challenge of excess regulation is complicated, and the solutions will have to come from the Doyle Administration, the Legislature, local governments and the private sector. The private sector is showing today that it is willing to be a partner in this important work.

Sometimes, a problem can seem so daunting that it is hard to know where to begin. There are dozens of regulations, processes, and laws that need to be revised or repealed. Where do we start? In that light, WBA offers these four suggestions:

- Introduce and act on a permit reform bill that includes firm, enforceable deadlines and clear rules that the public understands and supports
- Act on Chapter 30 reform legislation, to complete the work started last year by the Legislative Council.
- Work with the DNR's Water Division and local governments to sort out and remove the multiple overlaps that exist in water regulation
- Scrutinize administrative rules, such as Trans 233, that have grown beyond their original legislative intent and authority.

We do not expect action on any of these issues today. Many of the regulatory problems that exist in Wisconsin were decades in the making. However, the first step in solving a problem is acknowledging that it exists. We know these problems exist; now let us accept the challenge of resolving them.



**The Assembly Economic Development & Senate Economic Development,
Job Creation and Housing Committees,
Public Hearing, Thursday, May 15th at 10 am
Room 411 South, State Capitol**

Dear Committee Members,

Thank you for allowing my comments here today. My Name is Jim Kazmierczak; I own and operate a Crop Dusting Business (Kaz's Flying Service) in Lodi, WI. I am the Secretary/Treasurer of the Wisconsin Agricultural Aviation Association, past Wisconsin Director to the National Agricultural Aviation Association and I am a Board Member of the Wisconsin Agribusiness Council. I also serve on the legislative committees of the Wisconsin Agribusiness Council and the Wisconsin Fertilizer Chemical Association.

My family has been involved with farming since the 1800s and begun Crop Dusting just North West of Racine Wisconsin in the mid 1940's. I plan to be in this business for at least the next twenty years and hopeful someday sell my business to my sons. My business utilizes three airplanes mainly to help save family farm's crops from pestilence. Not only can my airplanes be used to plant crops, apply fertilizer, feed fish, save our forest and property from fires, protect our forest from pest, they can also be used to protect human life from a pest that carries the "West Nile Virus", the "mosquito". But "Protecting our forests from pest", and the economic benefits that my industry provides to this state, is the reason I'm here to today.

The State of Wisconsin is unfairly competing with Crop Dusting businesses based in Wisconsin. Each May the state has hired out of state companies to spray for a pest infesting our trees called the "Gypsy Moth" 1.) These out of state contractors through the state bidding process (a point system) get an unfair advantage over state contractors and 2.) The Crop Dusting businesses such as mine, are being unfairly regulated by the DNR and the Department of Agriculture, Trade and Consumer Protection (DATCP) agencies that regulate and run the Gypsy Moth Program for Wisconsin.

1. (The Bidding Process,) Al Schiffer, a Crop Duster from Michigan, has received the contract for spraying for gypsy moths. Al is rewarded points because he has worked with the state in the past. The state considers this when they award the contract which gives the incumbent an advantage. Al has an advantage, so he can over bid, which is costing the state unnecessarily. Because Al has an advantage, I have to bid below cost, to even be considered. In other words, the state bidding process fosters a "Good Old Boy System". If anyone should get an advantage, it should be a Wisconsin based Crop Dusters, because our employees are spending their money in Wisconsin, not Michigan. The system is flawed.

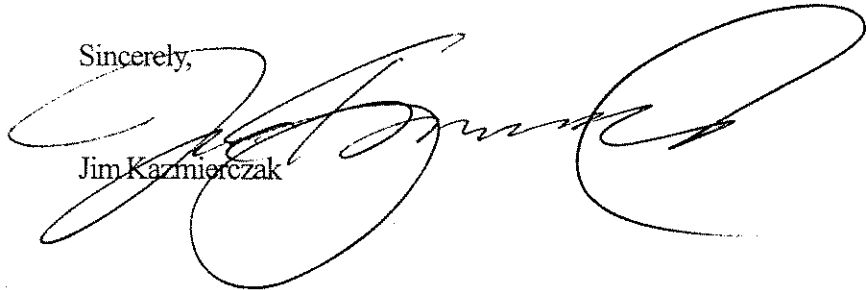
2. (Unfair Regulations) If I work for the state spraying Gypsy Moths, I can spray any where, anytime and on anybody I want to, with no fear of receiving a violation or fines from a state agency such as the DNR or DATCP, because the state has an waiver on the regulations. But if my business, not working for the state, sprays the same site, using the same chemical, at the same time frame, using the same equipment, holding the same licenses and certifications, not only can my business be heavily and unfairly fined, I could be sent to jail and I could be sued.

Thousands if not hundreds of thousands of acres of our Wisconsin forest land are at risk from pests that can destroy them. They should be protected. But they are not being protected. They are not being sprayed because the state deems anything under 40 acre tracks of forest land to small for them to mess with. If your family's 35 acre track of 200 year old oak trees in your camp ground is infested with the gypsy moth, you're out of luck; your trees could be destroyed. They could be saved by willing professional Crop Dusters, but, because of the threat of fines, jail and being sued is so great, thousands of acres of Wisconsin forest will not be protected and thousands of acres of our forest land could be lost to the Gypsy Moth.

Bottom line! Why is the Crop Duster hired by and working for the state, allowed to spray your families back yard with out fear of reprisals, but if I try to protect the trees in a private land owners back yard, I could face large fines and lose my application license. This Is Not Fair And I Request That This Committee, Rectifies This Situation. We have plenty of Professional Crop Dusters in Wisconsin, who would love to sit down with you and work out these issues.

The best thing about my proposal, is that it will not burden the state budget, the quality of our forest would improve, which directly relates to the tourism industry and the economic benefits it brings and the state could make money by keeping and creating more jobs our state.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Jim Kazmierczak'. The signature is written in a cursive, flowing style with large loops and flourishes.

Jim Kazmierczak



Date: May 15, 2003

To: Members of the Senate Committee on Economic Development, Job Creation and Housing – Senator Cathy Stepp, Chairperson
Members of the Assembly Committee on Economic Development – Representative Terri McCormick, Chairperson

From: Paul W. Merline, Government Relations Specialist
Wisconsin Restaurant Association

Re: Support for Regulatory Reform for Business

Chairperson Stepp, Chairperson McCormick and all distinguished committee members; my name is Paul Merline and I am here today on behalf of the Wisconsin Restaurant Association to voice our support for regulatory reform for business.

The Wisconsin Restaurant Association (WRA) is made up of approximately 3,000 diverse food service businesses ranging from fast service to fine dining representing over 7,000 locations throughout Wisconsin. A strong membership gives WRA a more powerful voice in pursuing its mission to protect, promote and improve the restaurant industry.

Wisconsin's small business community makes up the heart of our state's economy. It creates jobs and provides opportunities for both employees and employers across a broad range of skill and experience levels. Restaurants make up a significant portion of the small businesses in our state and provide meaningful service to all levels of consumers. Unfortunately, regulatory burdens frequently and unnecessarily impede the growth and success of small business.

In 2002, a Governor's Task Force on Small Business Regulatory Reform was created to help identify and address some of the regulatory burdens facing small business in Wisconsin and propose potential solutions. The task force of small business owners, which included WRA Board member Steve Davis from Ardy and Ed's Drive-In in Oshkosh, as well as trade associations, developed a series of recommendations to ease the negative impacts of regulation on small business, while at the same time improving regulatory compliance.

Proposed bills on regulatory reform have been drafted based on the Task Force's recommendations – Senate Bill 100 from Senator Welch and Assembly Bill 267 from Representative McCormick. These proposals seek to promote a climate in which small businesses can not only grow and prosper, but also one that will help them to continue their much needed contributions to Wisconsin's economic recovery. And we urge their consideration and support as a part of the overall review of and improvements to Wisconsin's regulatory climate for business.

Many of the consequences of well-intentioned regulations are unanticipated. Thought needs to be given to the affect these regulations may have on the individual entrepreneurs that provide the job growth, the innovation and the spirit necessary to drive our healthy economy. Care must be taken to ensure we do not inadvertently stifle that spirit.

The intent of the proposals that arose from the Small Business Task Force can certainly be applied to a review of the regulatory climate for business in general in Wisconsin. Initiatives that seek to ease the negative impacts of regulation on business, while at the same time improving regulatory compliance would appear to promote a win-win situation for our state's economic development.

Thank you for your consideration.



Small Business Regulatory Review Act

This Wisconsin Restaurant Association (WRA) represents over 7,000 member locations across Wisconsin. A strong membership gives WRA a more powerful voice in pursuing its mission to protect, promote and improve the restaurant industry.

Wisconsin depends on its strong small business community to create jobs and support a vibrant economy. Restaurants make up a significant number of the small businesses in our state. Unfortunately, small business must shoulder a disproportionate share of regulatory costs and burdens.

In 2002, a Governor's Task Force on Small Business Regulatory Reform was created to help identify and address some of the regulatory burdens facing small business in Wisconsin and propose potential solutions. The task force of small business owners and trade associations developed a series of recommendations to ease the negative impacts of regulation on small business, while at the same time improving regulatory compliance.

Governor Doyle recognizes the importance of small business to Wisconsin's economy and the need for regulatory reform. Proposed bills on regulatory reform have been drafted based on the task force's recommendations. The bills will promote a climate in which small businesses can not only grow and prosper, but also one that will help them to continue their much needed contributions to Wisconsin's economic recovery. **The following provisions are included in both Senate Bill 100 (Sen. Welch) and companion Assembly Bill 267 (Rep. McCormick).**

- Creation of a Small Business Regulatory Review Board to require state agencies to examine the impact their rules have on small business and include small business in the rule making process.
- A redefinition of "small business" to include any business with 25 or fewer employees or with gross annual sales of less than \$5 million.
- Creation of a searchable Internet site that includes a copy of each proposed rule affecting small business, as well as public hearing, comment and contact information.
- A requirement for every state agency to review all of its rules during the next five years to determine if any of the rules place an unnecessary burden on small business, and to justify or sunset any rules that do so.
- Immunity from penalty for any small business that voluntarily discloses information about a possible violation of an administrative rule if a number of conditions are met and the business makes a good faith effort to comply with the rule and cooperate with the agency in any resulting investigation.

The Wisconsin Restaurant Association enthusiastically endorses the Small Business Regulatory Review Act as a positive step toward improving the climate for small business in Wisconsin.