Committee Name:
Senate Select Committee – Job Creation (SSC–JC)

Appointments

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NEWS

Technology center hasn't paid off promises

Great Lakes Composites Consortium fails to deliver

By James Rowen
of the Journal Sentinel staff

September 11, 1995

Kenosha, Wis. -- In 1990, a group of business and political leaders convinced the State of Wisconsin to give a proposed technology center in Kenosha $1 million in start-up funds.

They said that putting the money -- a very large grant by Wisconsin standards -- into the fledgling GreatLakes Composites Consortium would create new businesses and hundreds of jobs by 1995.

Politicians jumped on board, claiming the venture and its unique "teaching factory" would put economically battered Kenosha smack-dab in the center of a new industrial revolution.

But after five years, the technology center's promised payoff for Kenosha has not nearly met the hype, delivering little for the state, which recently decided to pump another $904,000 into GLCC to help it meet its original goals. The center so far has disappointed some state participants, but has pleased the U.S. Navy, its main source of funding, and GLCC's out-of-state contractors.

An in-depth Journal Sentinel review of GLCC found that:

Construction of GLCC's huge teaching factory as originally proposed was scrubbed by GLCC and the Navy.

While spending heavily from the state start-up funds on plush office furnishings, GLCC's officers and consultants did not succeed in attracting the level of private-sector investments that would create promised new jobs and businesses in Kenosha. Corporate donations were expected to boost the effort -- Gov. Tommy Thompson said in 1990 they would come close to $50 million by 1995 -- but those fell far short of predictions.

As a result, the $10 million custom-designed GLCC facility of 100,000 square feet has not been built. GLCC says it occupies leased space of 13,490 square feet and has just 18.5 employees -- a far cry from the work force of 100 projected by 1995, records show.

GLCC has played a part in bringing just one business to Kenosha, compared with projections that it would, by 1995, spin off eight new or relocated businesses with 640 jobs, which would pay an average annual wage of $44,000, according to state records.

The non-profit GLCC has spent heavily on plane fares, consultants, fancy leather and mahogany office equipment, and a 1994 salary to its president of $261,000, records show.

One top Republican, Senate Majority Leader Michael Ellis (R-Neenah), called GLCC president Roger Fountain's salary "ridiculous."

"What you have is a mere shadow of what was envisioned," said a disappointed Steven J. Bomba, a key GLCC planner who was GLCC's first president in 1990.

That reality draws criticism from Wisconsin observers.

"This is a sadly familiar story that happens a lot in economic development," said Peter Eisinger, a professor of political science at the University of Wisconsin-Madison and director of the LaFollette Institute of Public Affairs.

Other business and development specialists argue that while Wisconsin put up key planning and start-up funds for GLCC, much of the promised benefits went far from Kenosha.

This, they said, became inevitable because two things happened:

GLCC accepted Navy funding, and GLCC's bylaws guaranteed seats on the board of directors to major aerospace contractors who controlled where GLCC's Navy funds would go.

"We did not realize that what these people would do was to make it a conduit for funds to flow into their own coffers," said John Roethle, president of Anderson / Roethle Inc., a Milwaukee marketing consulting firm that in late 1989 wrote the proposal that secured Navy funding for GLCC.

Roethle, a $2,500 contributor to Gov. Thompson and hardly a big business basher, said the salary paid to Fountain in 1994 -- raised 86% since 1991 -- was "just ludicrous."

When Roethle saw the high-end Herman Miller brand furniture that GLCC bought in 1990 with its start-up state grant, "I was sick. I was sick," he said.

The GLCC start-up grant was among a handful of state economic development awards authorized by separate legislation and was larger than most awards, which typically run between $80,000 and $200,000, according to Phil Albert, a Department of Development official.

"A million dollars is a big award," said Albert.

A review of records shows that most of the state's start-up $1 million was spent on Anderson / Roethle and other consultants, GLCC salaries, legal fees, air fares, and for $274,000 in office equipment and furnishings.

The furnishings included five leather desk chairs that cost between $921 and $1,011, 21 cabinet units that each cost between $888 and $3,032, three leather "settees" at $881 each, a $6,044 oval conference table and three smaller, similar tables that cost $2,480 each, a $69.85 tape dispenser, and other items.

Fountain would not respond to questions about spending on salaries, office furnishings and other matters.

The lure for state officials was a promising space-age technology -- composites. They are lightweight, durable combinations of fibers and other materials that can be substituted for metals in everything from jet fighter tails to missile nose cones to golf club shafts.

Since the mid-1980s, Roethle, Bomba and others had brainstormed with Wisconsin business executives and academicians interested in a technology center to help southeastern Wisconsin industry.

Boosted by the political connections of the hometown congressman, Les Aspin, and calling itself GLCC, the group answered a proposal request from the Navy in 1989, which wanted to set up a national clearinghouse and training center that could expand the use of composites in weapons systems and in civilian production.

Anderson / Roethle put together a proposal, paid for from a $200,000 grant from state development funds.

The Navy chose GLCC in April 1990 as the manager of its composite center and committed $50 million for five years in project funding -- a rare win for Wisconsin of Defense Department funds.

First, GLCC needed to hire a staff and get running while waiting for Wispark, the economic development arm of Wisconsin Energy Corp., to build the rent-free $10 million facility described in the winning GLCC proposal. This necessitated a new GLCC proposal to the Wisconsin Department of Development for the $1 million in start-up funds.

The centerpiece of the facility was to be the teaching "factory" -- up to 80,000 square feet of space offering experts from across the country a unique "total manufacturing system" where they could learn first-hand on "showcase" machines how to transfer what was known about composites into useful, profitable products.

Wisconsin businesses would benefit because they would be close to the action, Bomba said. "That was the premise of the whole thing."

Bomba, now a vice president at Johnson Controls Inc., said the GLCC board fired him in September 1990 when he lost a battle to force GLCC to commit $25 million to make a "strong and robust" teaching factory a reality.

Although the GLCC declined to comment on Bomba's departure, news reports at the time and recent Navy comments indicated it was voluntary.

Bomba still believes the teaching factory would have been a boon for southeastern Wisconsin. "That would have been $25 million for Kenosha, bang!," he said.

Fountain, an executive with Lockheed Aeronautical Systems Co., Burbank, Calif., was hired to replace Bomba.

Bomba, Roethle and others familiar with GLCC said the self-interest of a half-dozen major aerospace companies had tilted some of GLCC's economic benefits away from Kenosha and toward those out-of-state firms.

The aerospace firms on GLCC's board -- Lockheed Corp., McDonnell Douglas Corp., Northrup Grumman Corp., Rockwell International Corp., Textron Inc. and United Technologies Corp. -- pay initiation fees at the highest level -- between $200,000 and $250,000 -- and agree to make lesser contributions in later years.

The clout of the six so-called "principal members" of the consortium was confirmed by GLCC.

"These are our big guns," said James Mahood, GLCC's director of business development of the companies. "They give us our marching orders."

Calls for interviews with McDonnell Douglas, and to GLCC board members representing Lockheed and Rockwell International, were not returned.

GLCC also finances satellite centers in California and Florida that puts GLCC resources closer to industries on the coasts.

John Bechler, executive director of the Kenosha Economic Development Commission, said that GLCC's economic impact in Kenosha had fallen short of expectations because the estimated investment from business had not materialized. He said he could not point to a single Kenosha business that had moved to Kenosha solely because of GLCC, although it was a factor in one Illinois firm's move to Kenosha.

"Would we have liked to have had the whole bushel of apples?" said Bechler, of the Kenosha economic development commission. "Yes. Are we happy with a peck of apples? Yes."

The shortfall in private donations -- GLCC estimated it would sign up 16 major donors by 1995 but has only six, records show -- helped doom the building of the facility as originally conceived.

This is because the Navy said in August of this year that it had downsized the original scope of the teaching factory "to control costs," and disclosed that its funds were not permitted to be used to build buildings, according to the Office of Naval Research, Arlington, Va.

A Wispark official said the shrunken venture did not merit the building of the originally proposed 100,000-square-foot facility.

Government officials offered mixed reactions to GLCC's performance.

The Navy, in response to questions, said the issue of local job creation, while of interest, "is not critical to the mission."

The state development department said it did not track the impact of GLCC in Kenosha because it was not required to do so. The department knew the teaching factory had not been built at GLCC and fewer spinoff jobs were realized than planned.

James Klauser, state Department of Administration secretary, had expressed reservations publicly in a 1990 newspaper story about using state funds to launch GLCC, but said in a recent interview that the state's funding and the venture had been laudable.

Said Albert, the development department official who has overseen grants to GLCC: "It did not realize all its goals," especially the attraction of private funds. "It certainly could have been better."

Albert said, though, that he thought the state had gotten its money's worth from its grants and expected more Wisconsin businesses to productively use GLCC in the future.

Kenosha Mayor John Antaramian, a longtime GLCC board member, said GLCC had brought prestige and economic benefits to Kenosha, and while he wished GLCC had expanded faster, "they're doing what is practical," he said.

The state's Albert defends the reimbursements under the grant. He said, for example, that a first-class air fare would have been reasonable if a GLCC employee was "flying with an admiral who was flying first class."

Five air-fare reimbursements were approved for Fountain in 1990 for Los Angeles-to-Milwaukee round trips that exceeded $900 per ticket, records show.

A department audit of the $1 million grant disallowed reimbursements to GLCC of $71,690, Albert stressed. Ruled out were GLCC bills for meals -- $2,643; consultant fees of $27,666 to design a GLCC logo and a name change that was later discarded; theater tickets of $171; computer purchases of $27,144, and other items.

Mahood and other GLCC officials gave two Journal Sentinel reporters a tour of the facility in July, and discussed seminars, training and recycling programs they had carried out with Wisconsin colleges and businesses, including Snap-On Inc., Trek USA and Harley-Davidson Inc.

None of these firms responded to calls from the Journal Sentinel for information.

GLCC officials also discussed GLCC-funded projects aimed at getting composites in more aircraft and ship parts.

One project used Lockheed aircraft technology to help make two Navy anti-mine ship rudders from composites. The rudders will be installed by Peterson Builders, Sturgeon Bay. The company said its subcontract was for $320,000 and created five jobs.

Center officials also showed off a tail part made from composites for the McDonnell Douglas F-18 jet fighter. The project for the St. Louis-based aerospace contractor rankled a key Wisconsin planner behind GLCC.

"The F-18, that's great," grumbled Tom Schroeder, "but what does that do for Wisconsin?"

Schroeder is a Milwaukee business consultant who wants GLCC to make the use of composites in frost-battered roadways, and even the proposed Milwaukee Brewers stadium, a top priority.

Another out-of-state GLCC project: $13.5 million was spent over three years to create specialized software at Stevens Institute of Technology, Hoboken, N.J., Stevens officials said.

The software will help make nose cones from composites for shoulder-fired missiles, said Stevens officials, who answered the newspaper's Internet request for information about GLCC.

Joseph Starita, a Stevens official, said the software led to savings of $360 per missile and would help make other products.

Stevens is a GLCC member, paying initiation fees of $25,000 annually, records show.

While Starita praised the GLCC financing, a Wisconsin business specialist who helped start the planning group in 1984 said he had worried from the beginning that military priorities inevitably would turn the center's focus far from southeastern Wisconsin industry.

"I was opposed to that kind of a relationship with the Navy," said Charles James, formerly dean of the School of Engineering at the University of Wisconsin-Milwaukee, and now a vice president at Milwaukee School of Engineering.

The emphasis on financing out-of-state military projects drove one Wisconsin firm from GLCC.

"That was the reason I dropped out," said Jim Dorman, president of Amalga Inc., a Milwaukee manufacturing firm and early GLCC board member.

Dorman said his firm, which uses composites to produce industrial goods, had been the first small-to-medium-sized firm to buy a GLCC membership.

Both the state and the federal governments are sending fresh supplies of tax funds to GLCC.

The new state grant of $904,000 made last year will buy high-tech machinery to boost the teaching factory.

Albert said the grant, matched by GLCC and Navy funds, is guaranteed to aid small- and medium-sized Wisconsin businesses and will raise revenue for GLCC through instructional fees. And the Navy, saying it was satisfied with GLCC, decided in April to commit another $100 million over five years.

GLCC now is still pressing the Navy to release a $15.5 million supplemental award from technology funds it has available but which the Navy cannot award after Sept. 30, according to sources familiar with GLCC.

The supplemental award would increase GLCC's 1995 Navy funds from $10 million to $25.5 million in the fiscal year for 1994-'95, records show.

U.S. Rep. Mark Neumann (R-Wis.) said last week that his pledge to support broad cuts in the federal budget led him to oppose the supplemental award to GLCC even though the facility is in his district.

Sources familiar with the matter said GLCC was unhappy with Neumann's unwillingness to fight for the award.

Neumann said he had explained his position to GLCC representatives and supported GLCC's work, but he doubted GLCC could efficiently absorb such a large, one-time increase.

Bomba, GLCC's first president, said Congress shouldn't approve increased federal funding. While state officials say Bomba's comments are sour grapes, he remains skeptical.

"We didn't deliver," Bomba said. "Why the hell should they give us more?"

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ALTERNATIVE WORK SCHEDULES

Alternative work schedules reflect the new reality of the workplace. Formerly, employees used to work in predetermined shifts.

As the nature of work and expectations of employees have changed, employers are allowing their workers greater flexibility in creating work schedules that reflects their needs and work patterns.

Why Are Alternative Schedules Needed?

We live in a world of global change.

Technology and the shift to a service-oriented economy have redefined the nature of work. It's no longer necessary -- and, sometimes it's even impractical -- for employees to be at their desk from 9 to 5 every day.

Organizations have customers around the country and around the world, resulting in the need for expanded hours of operation. The nature of work has changed for employees as well. They must balance the challenges of their jobs with the demands of running a household.

Alternative scheduling addresses these needs by creating flexibility for both employers and their workers. **It allows employers to:**

- Enhance employee productivity.
- Make better use of equipment and facilities by reducing idle time.
- Meet changing customer expectations (particularly in service industries).
- Maximizing the value of employee compensation and benefit expenses.

It also allows employees to tailor a schedule that lets them:

- Care for young children while both parents are more likely to be working.
- Look after an aged parent or other loved one.
- Handle the responsibilities associated with running a household.
- Schedule leisure time more easily.

What Options Are Available?

There are many alternatives to a traditional five-day, eight-hour workweek. Many of them have been in practice for some time, but are now being recognized as "alternative." The more established forms of alternative scheduling include:

- **Regular part-time work.** Such arrangements provides both employee and employer flexibility to meet individual and customer needs. Often, part-time employees do not receive the same level of benefits as full-time workers, although there are signs that this trend may be changing.

- **Temporary work.** The "temp" industry has existed for many years, but it has enjoyed a boom in recent years. Employers traditionally used temps on a short-term basis to fill in when employees went on leave or left the organization, to complete a special project, to meet holiday staffing needs and so on. However, many organizations now use temporary arrangements to "audition" potential employees and meet long-term staffing needs.

- **Compressed workweeks.** This approach allows full-time employees to work the requisite number of hours in fewer than five days. The most common compressed workweek is a four-day, ten-hour schedule (a 4/40 plan). To meet production requirements, companies often schedule part of the workforce Monday through Thursday and the remainder Tuesday through Friday. Employers in the health care, production and manufacturing industries are the most likely to offer compressed workweeks to workers. Some employers offer compressed workweeks to employees during the summer.

More recent "alternatives" to traditional work scheduling include:

- **Flextime.** This allows employees latitude in setting the times they start and stop work, while covering "core" hours during which all employees must be on the job. Flextime is becoming increasingly common in large cities in which commuting is an issue or for employers who must meet customer needs in a variety of time zones.

- **V-Time.** A variation of flextime, V-time allows employees to voluntarily take a portion of the year off or change to a part-time schedule (and pay) to meet personal needs. Unlike regular part-time work, V-time scheduling includes an expected return to full-time work plan.

- **Job sharing.** This allows two part-time employees to do the work of one full-time worker by sharing hours, responsibilities and so on. Job sharing requires good communication between the employees and with the supervisor to maintain job efficiency and effectiveness.

- **Telecommuting.** Telecommuters spend part or all of the workweek working outside of the office (e.g., at home, on the road or in satellite locations). To keep telecommuters from feeling isolated, some big-city employers have joined together to locate employees in "suburban" facilities where rent is cheaper and arrangements can be made to share equipment, reception and so on.

- **Hoteling.** This is a popular option for large service organizations that employ many individuals whose work often takes them away from the office. Employees must call in advance to reserve "an office," which includes a telephone and computer and network access. Personal items are often stored in locker type facilities when the employee is out of the office.

Advantages and Disadvantages

Can alternative work schedules benefit your organization? It depends. Certainly, there are many benefits to alternative work schedules. These include:

- Increased employee retention, loyalty, and morale.

- Enhanced productivity (employees can schedule work for their individual "peak" hours).

- Improved ability to recruit employees (and reduce employee turnover).

• Expanded ability to attract or retain workers who may be otherwise unavailable for regular, full-time work -- e.g., students, parents with children at home or in school, individuals with handicaps, retired workers and so on.

• Reduced commuter congestion in large urban areas.

• Decreased occurrences of employee tardiness and unscheduled absences.

• Expanded hours of operation.

• Maximum use of facilities and equipment.

Alternative Work Schedule Policy Example

Companies are interested in alternative work schedules as a method of staff retention through work/life balance.

Alternative scheduling is available to assist employees in meeting their personal work performance goals and family needs.

Alternative work scheduling is an opportunity to maintain employee productivity through various forms of creative work scheduling.

In today's workplace, many alternative work schedule policies are in place. For example:

• Flex time defined as a block of time at the start and end of traditional eight (8) hour shifts where employees may report and complete their required shift hours of work;

• Ten (10) hour day, four (4) day workweek defined as the option to work ten hours per workday reducing the workweek to four days a week

• Nine (9) hour day, one day off every other week defined as the option to work nine hour workdays permitting approved employees to reduce every other work week to a four day workweek.

Job-sharinga is defined as two (2) part-time personnel assigned to the same job equivalent to one (1) full-time employee. The position is shared between two employees. Job-sharing, as an alternative work schedule, must ensure the continuity of the work being done at the same workstation with two individual's working as a team to accomplish one full-time position's duties.

Implementation and the determinations of potential schedules usually must be approved with the consent of the Human Resources department prior to any announcements to assess overall feasibility and trial operations prior to announcement and implementation.

Thanks to Raylana Anderson, SPHR, CEBS, a member of the SHRM Compensation & Benefits Committee. This article is provided as general information and is not a substitute for legal or other professional advice.

JOB SHARING

- Job sharing isn't new — it's been around since the early 1970s, when husband-and-wife professors and others began the practice — but it's been slower to catch on than flextime and other flexible work options, all of which have grown in popularity as employers recognize the importance of "work-life" programs.
- Seventy-three percent of 1,020 major employers surveyed by Hewitt Associates in 2000 offered flexible scheduling arrangements. The most common arrangements were flextime (58 percent) and part-time employment (48 percent). Only 28 percent of these employers offered job sharing, in which two employees share the responsibilities, accountability and compensation of one full-time job.
- Job sharing appears to be more common among small employers. Of companies with 100 or more employees, 37.5 percent allowed job sharing, shows a 1998 survey by the New York-based Families and Work Institute.
- Employees who want to work part-time, such as parents of young children, students and those approaching retirement, obtain a steady income while preserving time for personal needs. Disabled workers who require reduced or non-standard hours could also use job sharing as a means of accommodation.
- For employers, the main benefits of job sharing are the retention of experienced workers who would otherwise leave their jobs (to work elsewhere or not at all) and the resulting avoidance of replacement and training costs. In addition, an established job-sharing team often shows an upswing in loyalty and productivity.
- "Two heads are better than one" holds true in many job shares. Two well-matched partners can bring complementary skill sets and better coverage to the workplace. Because one partner is always on the job, there are few, if any, absences for vacations, sick days and personal appointments, as there are when one person holds a job.
- Some job shares resemble two part-time jobs because a daily shift is split; most, however, involve two people who work closely together at one job.
- Most job sharing is initiated by employees and carried out informally on a case-by-case basis. However, employers can develop formal policies if employee surveys show — or higher-than-average turnover indicates -- wider interest in the practice. These policies can be announced in employee handbooks and other materials.
- Most jobs, from nonexempt receptionists to high-level executives, can be adapted to job sharing. It's easier to share jobs with clearly defined tasks, projects or customers. Harder to share are jobs with unpredictable hours or heavy travel obligations. HR can help define the eligibility requirements for job sharing.
- Job sharing can be an effective way for employers to reduce the costs associated with turnover while meetings employees' desire to balance work and family or other personal needs. With the right team and careful planning, employers can enjoy the efficiency and loyalty of a "two for one" deal.

Source: Carolyn Hirschman

FLEXTIME

Flextime allows employees to choose their work hours within the limits established by the employer. Some flextime programs allow workers a great deal of leeway, while others provide very little flexibility. Examples:

- The band of time during which employees may start and finish work may range from as little as 15 minutes up to two hours or more.
- Some employers require their workers to stay on the schedule they select for six months or longer, while others let employees vary their hours from week to week.
- Some employers require staffers to work the same number of hours every day, while other organizations let their workers balance shorter days with longer days.

When carefully established and administered, a flextime program allows employees to tailor the times they start and stop work, while providing the employer with greater hours of coverage. Examples:

- On a biweekly basis (two work days before the two-week period begins), employees at Company A select one of three established starting times (7, 8 or 9 a.m.) and inform their supervisor of that selection. The ending time is eight and one-half hours later (because the work day established by the employer is eight hours, with a one-half hour lunch period). Two weeks later, employees again select one of the three starting times for the next two-week period and inform the supervisor of that selection.
- On a daily basis (by noon, one day before the subject work day), employees at Company B select a starting time between the hours of 6:30 and 9:30 a.m. The ending time is seven hours later (because the work day established by the employer is seven hours, with a "work-through" lunch).
- At Company C, employees select a start time between 6 and 10 a.m. when they are first hired. Their ending time is eight hours later (employees work a seven and one-half hour day, with one-half hour for lunch). Although some leeway is given for special circumstances, employees are encouraged to stick with the same schedule. If they wish to permanently change their hours, they must notify their supervisor at least two weeks in advance.

In these examples, the employers established different flextime programs, but all three programs achieved the objectives of allowing employees to tailor their schedules and increasing the employer's hours of operation.

Also, in these examples, all employees are scheduled for work during predetermined core work hours. This maximizes staffing during peak-demand hours. Potential inefficiencies -- such as staff meetings without 100 percent attendance -- are avoided by scheduling them only during the core hours that all employees are required to be on the job.

Employers with flextime have found that almost all employees in operations that are "right" for flextime can be relied upon to use their flextime privilege appropriately. Careful design of the flextime program helps ensure this outcome.

Thanks to Kenneth Pritchard of the SHRM Compensation and Benefits Committee for contributing this white paper. It is intended as general information and is not a substitute for legal or other professional advice.

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TEFI Scenarios

Tomotherapy, Inc.

Madison-based Tomotherapy manufactures a new proprietary tomotherapy radiation treatment machine. It received a $500,000 Technology Development Loan to build and market prototype radiation treatment machines. Total project costs: $3.084 million. Tomotherapy plans to create 53 jobs in three years:

6 clerical jobs @ $9.62 x 2,080 x 6% x 7 years:	$ 50,424
15 engineering jobs @ $28.85 x 2,080 x 6% x 7 years:	$378,050
32 manufacturing jobs @ $17.79 x 2,080 x 6% x 7 years:	$497,323
	$925,797 in potential TEFI credits

DeltaHawk, Inc.

Racine-based DeltaHawk is a developer of 100 to 400 hp liquid-cooled diesel aviation engines. It received a $145,000 TDL to developing the first V-4 2-cycle diesel engine for the general aviation and other non-aviation markets. Total project costs: $458,402. DeltaHawk plans to create 21 jobs in the next three years with an average wage of $18.00/hr.

21 jobs @ $18.00 x 2,080 x 6% x 7 years:	**$330,221** in potential TEFI credits

AlfaLight, Inc.

Madison-based AlfaLight is performing research and development to manufacture high power diode lasers for the telecommunications market. It received up to a $500,000 TDL. Total project costs: $10.9 million. AlfaLight expects to create 339 jobs in the next 3-5 years.

237 production jobs @ $10.00 x 2,080 x 6% x 7 years:	$2,070,432
46 production supv. jobs @ $25.00 x 2,080 x 6% x 7 years:	$1,004,640
56 tech/admin jobs @ $20.00 x 2,080 x 6% x 7 years:	$1,076,275
	$4,151,347 in potential TEFI credits

JEFI ANALYSIS FINANCIAL BENEFIT TO THE AGENCY

Basic assumptions based on past zone performance: In the Community Development Zone Program the department annually certifies 50 companies on average and is growing. These companies produce 18 new jobs per company (based on development zone tracking), thus this program creates 900 new jobs per annum.

The Enterprise Development Program is on pace to certify at least 15 companies in its first full year. Using very conservative job creation figures they produce roughly 90 new jobs per company. Thus, annual job creation is 1350, a major underestimate.

Assuming 100% company participation and job creation in the first year for all newly certified companies and an average wage of $8/hour, the program would result in $1,872,000 for alternative financing to the zone companies (2250 jobs at $8/hour*2080*5%). As is the case in other states with this program only 80% of the withholding will return to the company , because generally 20% is used for administrative costs and program revenue. The formula generally used is [new position wages * (4% debt service+ 1% administrative fees)]. In the JEFI example it would result in $1,494,600 for the business' debt service and $374,400 in department revenue.

These assumptions based on 100% participation and job creation are improbable, but even if 50% of the assumptions are correct it would still create $187,200 in operating revenue for the bureau. Carrying this further, consider if only 25% of the projections were attained. It will still result in $93,600 for operating revenue. The 25% figures will be the basis for the operating revenue projections which follow.

In general a company will participate in the program for more than one year, with a standard maximum of ten years. Thus revenue will increase at a steady rate as new businesses become involved and existing businesses remain. Assuming growth at current sustained rates, although this growth should expand as new development zones are created.

Example of Program Revenue for Ten Year Period

	Program Revenue	Business Debt Financing
Year 1	$93,600.00	$373,650.00
Year 2	$187,200.00	$747,300.00
Year 3(EDZ's exhausted)	$280,800.00	$1,120,950.00
Year 4	$374,400.00	$1,494,600.00
Year 5	$468,000.00	$1,868,250.00
Year 6	$561,600.00	$2,241,900.00
Year 7	$655,200.00	$2,615,550.00
Year 8	$748,800.00	$2,989,200.00
Year 9	$842,400.00	$3,362,850.00
***Year 10**	**$936,000.00**	**$3,736,500.00**

*Year 10 represents the maximum level which would be sustained indefinitely, if the assumptions remain unchanged during future program years. If no limits are established these numbers will grow exponentially, unlike the projections listed above.

KREDA COPYCAT BENEFIT ANALYSIS

The KREDA program in the state of Kentucky is an economic tool that encourages the creation of new jobs in any business sector. The program almost entirely eliminates the need for public financing, except as necessary to reduce the private banking sector's risk. Federal loan guarantee, loan and grant programs also are used in conjunction with KREDA financing, but the state's lending programs and there associated risks can be minimalized or entirely eliminated. Thus reducing the department's reliance on GPR revenue to administer loan programs.

The program is specifically targeted at new or expanding businesses that will create new job opportunities. KREDA works in the following manner the company is certified by the department for a specific project, much like the EDZ program, and for the number of jobs to be permanently created, with schedule of implementation.. Project financing is secured from the private sector in conjunction with the KREDA program and the agreement between the lender, business and department is secured. KREDA is not direct financing nor is it tax credits, in fact the program is performance based and assists the company in the payment of debt and accumulated interest on the private/public sector financing.

Each new position created and filled by an individual is certified by the department. The difference for the worker and employer is this: state withholding tax for each new position created and filled (6%) instead of being sent to DOR is certified for payment to the lending institution (the interest tax deduction will still apply to the borrower), and each qualified worker then receives a credit for state income tax paid. Each position is eligible for KREDA for a period of 3-7 years depending on local needs and project costs.

Since each position is new, GPR revenue would not be affected because the personal income tax applied to the loan was never collected previously. Property tax revenue will increase in the project area and eventually GPR revenue will increase with expiration of the KREDA benefit.

EXAMPLE:

A medium company plans to expand within the state creating 100 new jobs and investing $10 million on facilities and equipment. The jobs will be created in a two year period (50/year) and pay $8.00/hour with a benefit package. The department certifies the company for 100 KREDA each position for a three year period. The debt service payment from the KREDA benefit is as follows for year 1 (50 workers x $8 x 2080 hours) x 6%= $49,920. Year two doubles that figure to $99,840 and year three is the same year four returns to $49,920 as only 50 workers are in the third year of the new positions existence.

Year 1	50 eligible positions	$49,920.00
Year 2	100 eligible positions	$98,840.00
Year 3	100 eligible positions	$98,840.00
Year 4	50 eligible positions	$49,920.00

The company still pays Wisconsin Income tax throughout the program life and GPR is affected in the following manner. In year one net savings of $500,000 because the MED loan was not necessary (remember the positions created are new thus no tax revenue had previously been collected) Year 2 $0, Year 3 $0, Year 4 revenue of $49,920 and in year five revenue of $98,840. Total Unadjusted Savings to the state in the five year period of $799,520, state income tax revenue then will remain at 6% gross employees' wages and the company will be paying more in taxes as the company becomes more profitable. The company's benefit is in the debt service amount of $299,520 for the first four years. If the benefit is extended to same length as current MED debt service saving would be substantially more.

END

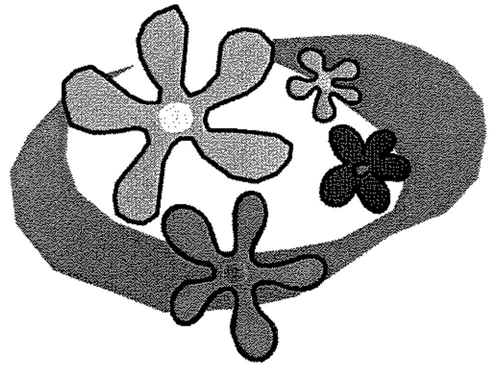
END

RETRO ISN'T HIP WHEN IT COMES TO REGULATORY REFORM...

The Public Trust Doctrine is a cornerstone of Wisconsin environmental protection. Founded in Wisconsin's constitution, the Trust says that lakes, rivers and streams must be protected for all of us to use and enjoy. Wisconsin's Chapter 30 is the law written to make sure that happens.

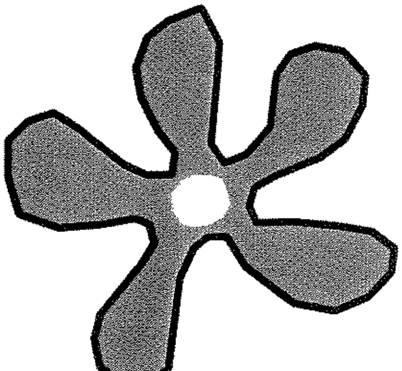
Unfortunately, Chapter 30 has not been updated in more than 40 years. As a result, the red tape involved in this program has grown dramatically without legislative oversight.

It's time to Restore the public's trust in the Public Trust Doctrine...Reform Chapter 30, WI's Navigable Water law.



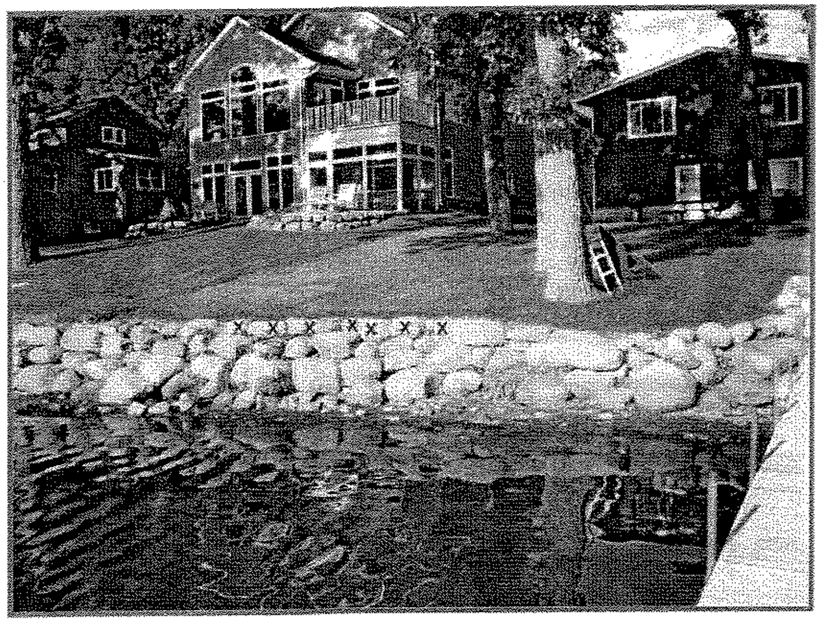
1960'S REGULATORY SYSTEM HARMS WISCONSIN

- **Too many permits.** Each year, more than 5,000 citizens and businesses must apply for and receive a Chapter 30 permit for everything from a swim raft to a factory addition.
- **Mission creep.** The number of Chapter 30 permits required has been rising each year, in spite of the fact that the law has not changed significantly in 40 years. Chapter 30 permits are being required today for things the legislature did not intend.
- **Overlapping regulations.** Chapter 30 duplicates numerous regulations. For example, grading near a waterway is subject to eleven different local, state and federal rules.
- **No prioritization.** Under the crushing workload of 5,000 permits, DNR staff are forced into crisis management, where minor projects with no real impact get as much attention as major environmental issues.
- **An outdated and rigid procedure.** Simple permits such as installing a culvert can take months because of inflexible laws and procedures.



In 2001, **nearly 300** Chapter 30 permits went unresolved for almost one year, **delaying hundreds of millions of dollars in new investment in WI jobs.** *The number of delayed permits rises every year.*

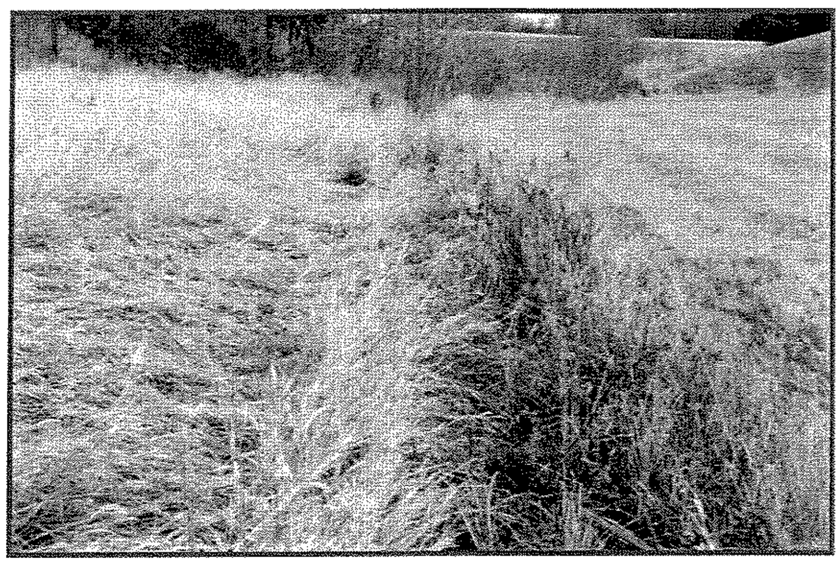
PROTECTING THE ENVIRONMENT THE OUT-OF-DATE WAY



The DNR spend 9 months and thousands of hours pursuing this property owner, who had straightened and replaced several rocks along this shoreline. The result? 7 rocks (indicated with x's) were ordered moved -- but not more than 12 inches each. In the meantime, DNR staff say they do not have time to pursue Federal Clean Water Act Violations.

A NAVIGABLE STREAM?

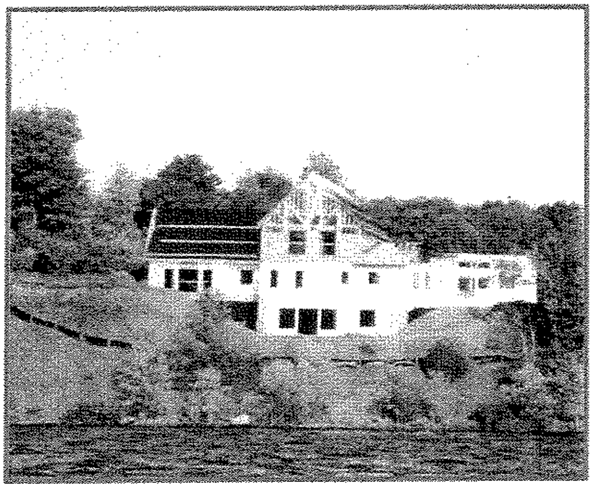
A key reason the public has lost faith in the Public Trust Doctrine is the amount of time and attention paid to "streams" like this one can be identical to the time spent reviewing the placement or removal of a dam.



PROTECTING THE PUBLIC?

While negotiating improvements to this busy commercial ferry dock, the State tried to force the applicant to allow public fishing from this pier, and to make its parking and other facilities available to those fishing free of charge. If fishing was not allowed from the pier, the Ferry was asked to build a separate fishing pier at its expense as a "condition" of a breakwater permit. A court later invalidated the condition, but only after costly litigation by the Ferry.

WHICH PROPERTY WAITED MONTHS FOR A CHAPTER 30 PERMIT?



Property A.

Property B.

Answer: Property B -- in addition to many months delay, this owner was forced to spend $50,000 on needless stormwater engineering. Property A was regulated by a local erosion control permit and was not required to get a Chapter 30 permit. The inconsistencies of review and enforcement in Chapter 30 permitting has left many property owners confused and frustrated. Wisconsin needs a water law permit system that is consistent, timely and fair.

THE TIME HAS COME TO UPDATE CHAPTER 30

DON'T COMPROMISE environmental standards, MODERNIZE the regulations

A 21st Century Solution

Luckily, restoring the public's faith in the Public Trust does not require any retreat on environmental protection. The Legislature and the Governor can keep every environmental protection standard in place, and still make the process more effective and more predictable for the applicant. This session, the Legislature should consider Chapter 30 reform that:

- Maintains existing environmental standards
- Exempts from Chapter 30 those activities covered under other regulations
- Establishes general permits for activities that are routinely-approved anyway. Already used extensively throughout DNR, general permits save both the department and the applicant time and money, and still assure environmental protection
- Continues to require individual permits for complex, large and environmentally-sensitive projects
- Establishes a "user-friendly" public hearing process to allow the public to be heard on individual permits without hiring a team of lawyers and engineers
- Provides more options for justice by allowing permit challenges to be heard before an administrative law judge or a circuit court judge

WISCONSIN

The origin of the word "Wisconsin" is a Native American term referring to a gathering of the waters. Our economy, from tourism to lumber, farming to papermaking, depends upon protecting and managing our water resource. At the same time, that economy depends upon timely and predictable decision-making by state regulators...

By passing Chapter 30 permit reform, Wisconsin can have both.

For more information, contact:
Jerry Deschane; jdeschane@wisbuild.org
Mike Semmann; msemmann@wisbuild.org

Wisconsin Builders Association

4868 High Crossing Blvd.
Madison, WI 53704
ph: 608-242-5151
fx: 608-242-5150

END

END

SENATE SELECT COMMITTEE ON JOB CREATION

Intro: Good afternoon Co-Chair and Committee members

My name is Mark Bugher, Director of the University Research Park in Madison.

I'm proud to be associated with the University in this capacity because of the important impact and role the Research Park plays in the very topic that you are discussing today.

The University Research Park is the physical manifestation of the UW-Madison's technology transfer and economic development strategy.

We exist to assist in moving technologies from campus to the commercial sector through companies spawned by research on the UW–Madison campus.

We work closely with WARF and the Office of Corporate Relations to achieve these economic development goals. To date our team has been very successful.

We can document the creation of 218 new companies with connections to UW-Madison—114 direct spin offs due to UW research; 104 are located in Madison with one billion in gross revenues and employing 6,700 people.

University Research Park has relied on important partnerships to achieve these numbers with our federal government, state government and local governments as well as the business community.

Our current Park is a great example of how a properly channeled and executed economic development strategy can work in the real world.

We house 107 companies with 4,000 employees with annual payroll of 240 million dollars – annual average salary of $60,000.

I know the Committee seeks ideas to help with job creation statewide.

– I believe the State can play an incredibly important role in setting the tone for a successful growth strategy.

– The State can also easily dampen job growth with legislation that sends the wrong message to the very people that we rely on for new businesses in our state.

So, the message today is please, “do no harm.”

There are some proactive and positive things that the State can do:

(a) I direct your attention to the Wisconsin Technology Council and our work regarding a blueprint for economic growth. Tom Still has spoken earlier, so I don’t need to repeat what has been said. But use this as an outline– lots of work went into it and it makes sense.

(b) In the area of capital formation:

– State can encourage capital formation – angel and venture funds

– How can we do this?

– Expand CAPCO legislation –

–Support SWIB and their efforts;

– We can work with our financial institutions to create pools–and provide them with incentives.

– Work on polices that encourage retirees to keep assets in Wisconsin.

– tax credits – most don't work (corporate), but tax incentives to encourage investment into venture funds, properly drafted, could work.

(c) We need to look at the big fiscal picture of our State Budget

– Affects behavior – by businesses

– Pay attention to spending levels, taxation and regulatory reform. If we have our house in order, others will invest here.

– Businesses respond to a friendly state – (regulation) – we need to continue to improve on permitting process – use technology.

(d) Last –

– Work with Universities to encourage development of Research Parks – Building Commission – Joint Finance policy creates a disincentive for institutions to se aside land for entrepreneurial development.

Thank you for the opportunity to provide some thoughts to what is clearly an important and timely dialogue.

END

END

The Need for Biotechnology in "Growing and Reforming our Wisconsin"

Dr. James R. Prudent
Chief Scientific Officer
EraGen Biosciences, Inc.
August 19, 2003

Career in Biotechnology

- 1985 - Graduate University of Wisconsin – Bacteriology
- 1987 – Position with IGEN International
- 1989 – Consult for Affymax (Alex Zaffaroni and Leighton Read)
- 1990 - Start Graduate School at UC – Berkeley (Department of Chemistry)
- 1995 – Publish in Science and Graduate with Ph. D.
- 1995 – Position with Third Wave Technologies
- 1996 – Invent Invader Platform Technology
- 1999 – Third Wave Raises $50 Million from SRI
- 1999 – Position with EraGen Biosciences
- 2000 – Raise $6 Million in Funding
- 2000 – Elected to Board of Directors – EraGen
- 2001 – Invention of Novel Platform Technologies
- 2002 – EraGen Moves Toward Commercial Focus (CEO Hired)
- 2002 – EraGen Moves All Operations to Madison
- 2003 – Launch CF Test and SARS Tests

Industry Accomplishments

- Ph. D. in Organic Chemistry under Peter Schultz (UC – Berkeley)
- Six Patents
- Seven Addition Patents Pending
- Consolidation of EraGen Operation to Madison
- +20 Scientific Papers
- Raising over $10 Million in Federal Research Funding
- Raising over $6 Million in Venture Funding
- Member of NIAID Granting Review Board
- Chief Scientific Officer – EraGen
- Board of Directors – EraGen
- Presentation to National Institute of Standards and Technology
- Invitation to the WHO Global Conference on SARS

Starting-Up

WIN Foundation Presentation

Technology to Business
Personnel – The Team
Investment
Infrastructure
Patents
Products and Customers
Personal Costs
Rewards
Success
How to Spawn New Biotechs - Suggestions

Reference: "High Tech Start Up" - 2000 by John Nesheim (Simon & Schuster)

What is Needed?

- Attract Experienced Investors (CAPCO)
- Encourage Entrepreneurs
- Cutting Edge Technologies for Expanding Markets
- Superior Support Systems
- A New Way of Thinking

Investments

Grants	-	SBIR, STTR, ATP, DARPA
Angels	-	Typically High Valuations
VC and Banks	-	The Wisconsin Challenge

Department of Commerce statistics indicate that the first CAPCO law passed in 1998 (allowing for $50 million in tax credits) is creating employment opportunities in Wisconsin. Since investments began in 2000, 138 jobs have been created with an average wage of $53,000. In addition one of the three CAPCO's has leveraged an additional $37.1 million in venture capital with their $16.7 million CAPCO fund.

A study by The University of Texas two years ago on the Missouri CAPCO program showed it has been extremely successful in answering the financial concerns of small-business owners. The study also showed that in a two- and-one-half-year period, 1,607 jobs were created through investments in 19 early-stage businesses.

WI

Entrepreneurs

Purchased by other companies in other states

Promega

SLIL

THIRD WAVE

infigen

POWDERJECT

ERAGEN BIOSCIENCES

NimbleGen

GCG

Technology

Keeping Technology	-	TWTI
Exporting Technology	-	Geron
Importing Technology	-	EraGen

Third Wave

Wisconsin's Future
How to Change a Way of Thinking

IDEA – Build the New Higher Educational Campuses to:

- **Provide the Jobs of the Future**
- **Increase Innovation**
- **Attract Leaders**
- **Attract New Investment**
- **Better Educate Students**

- A mixture of university faculty, students and research centers with industry and government counterparts
- A blend of large, small and entrepreneurial businesses.
- Clusters of buildings with multidisciplinary themes based on the University's strengths in cutting-edge research
- Intensive partnership formation among industry, government and university
- Advanced technology infrastructure for network communications.
- A high-tech International Executive Conference Center and Hotel for meetings, training and entertaining.
- Easy, pedestrian access to community courtyards, restaurants and shops.
- Recreational amenities

Template for Change
NC Centennial Campus
Another Fine "Land Grant" University

Benefits – University Access
- Campus Networks
- Campus Instrumentation
- Library Privileges
- Shared Conference Rooms
- Enrollment in University Courses
- Training Technology and Conference Facilities
- All-Campus Cards
- Gym membership
- Bus Transportation
- University Athletic Events
- University Concerts, Plays and Films
- Intramural Sports Program
- University Bookstore Privileges
- University Clubs
- University Catering
- Automated Teller Machines

Rewards for Wisconsin

- **Allowing People to Live Better Lives**
- **Creating a Better Long Term Job Market**
- **Building the Next Economy**
- **Sustaining a Healthy Economy**

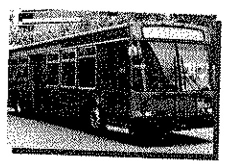
END

END

The Economy of the 21st Century Demands Efficient Multimodal Transportation

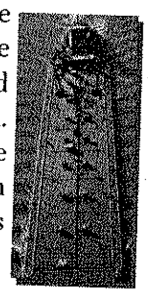
Businesses require multimodal transportation options to access markets and supplies. Investments in infrastructure can improve the attractiveness of Wisconsin to new businesses, creating new jobs and tax revenue for the state. Specifically:

- ✧ **Aviation.** Wisconsin companies are relying on business aircraft at record levels. Between 1997 and 2001, 85 percent of all new and expanding manufacturing firms (702 manufacturers with 34,064 employees) located within 15 miles of the state's 49 jet-capable airports.



- ✧ **Transit.** Every $1.00 invested in proposed transit service adjustments that better connect welfare recipients to job centers – and thereby saving taxpayers money – could generate $1.66 in benefits.

- ✧ **Rail.** In 2000, Wisconsin's freight railroads moved 149 million tons of materials valued at over $4 billion. The rail industry itself employed over 4,000 Wisconsin residents earning over $210 million in wages.



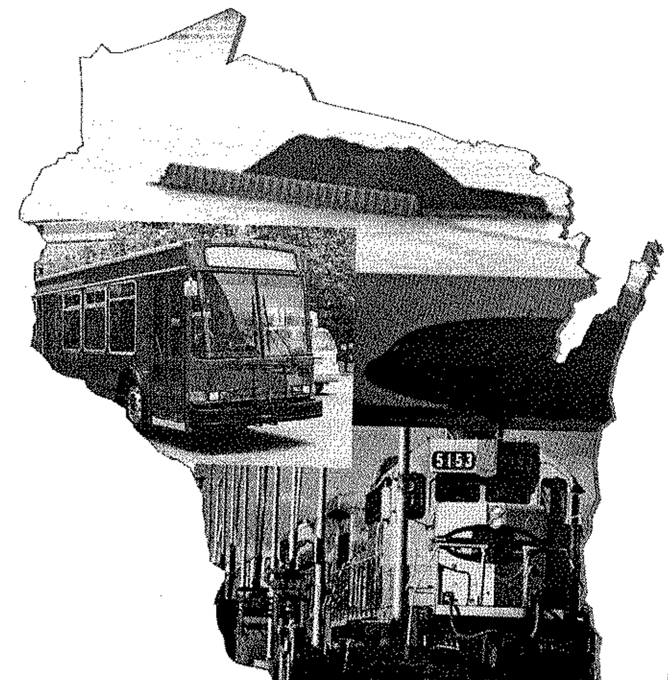
- ✧ **Ports.** Over 31,000 jobs with income totaling over $1.3 billion are attributable to the ports of Milwaukee, Green Bay, and Superior-Wisconsin/Duluth Minnesota. In terms of total tonnage moved, the Port of Duluth-Superior ranks 20th in the nation with over 41 million tons shipped in 2000.

List of Sponsors

AAA Wisconsin
AFSCME, WI Council 40
American Council of Engineering Companies of WI
CH2M Hill
CN-Wisconsin Central Railroad
Construction Business Group
HNTB Corporation
International Union of Operating Engineers, #139
OMNNI Associates
Short-Elliott-Hendrickson, Inc.
WI Auto and Truck Dealers Association
WI County Highways Association
WI Dells Convention and Visitors Bureau
WI Earth Movers Association
WI Economic Development Association
WI Grocers Association
WI Laborers District Council
WI Tourism Federation
WI Transportation Builders Association

Transportation Development Association of Wisconsin
131 W. Wilson Street, Suite 302
Madison, WI 53703
(608)256-7044 FAX (608)256-7079
www.tdawisconsin.org

Transportation Improvements Grow Wisconsin's Economy

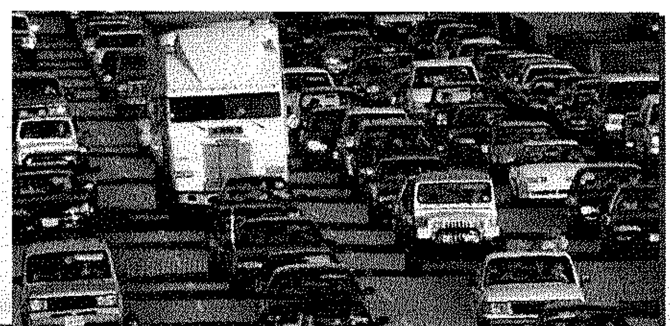


Study conducted by Cambridge Systematics, Inc.

Demand for Transportation Service in Wisconsin Has Grown Faster than Capacity

As anyone who has been late for an appointment or received a late delivery can attest, roadway congestion in Wisconsin is a serious problem. Simply put, congestion results when investment in transportation infrastructure and services fails to keep pace with demand. Between 1982 and 1997, total vehicle-miles of travel on the State Trunk Highway System increased by 60 percent, while the system's total lane mileage increased by only five percent. But why is demand escalating?

- The number of vehicles on the road has expanded dramatically. The total number of private and commercial vehicles registered in Wisconsin doubled from 2.2 million in 1970 to 4.4 million in 2000.
- Freight movement by truck has multiplied. Nationwide, between 1975 and 1997, ton-miles of freight moved by truck more than doubled. By 2025 this figure will double again. In 1997, 213 million tons of freight valued at over $146 billion moved through Wisconsin by truck.
- The size of the workforce has increased. Between 1970 and 2000, the number of workers in Wisconsin rose 78 percent, or more than three times the rate of population growth.
- The manufacturing sector has transitioned from massive warehouse inventories and large, consolidated shipments to just-in-time manufacturing and smaller, more frequent shipments.



Economic Growth and Transportation Investment Are Linked

Transportation infrastructure and services are vital for supporting the growth of Wisconsin's economy. A strong transport network reduces the cost of production and distribution, creating jobs while boosting industry competitiveness and productivity.

- Between 1990 and 2001, 88 percent of all new and expanded manufacturing facilities chose to locate within five miles of a "Corridors 2020" highway, a network of highways linking key economic centers throughout the state.
- National studies have shown that each dollar invested on the nation's highways generates about 30 cents of production cost savings to businesses *per year* over the life of the improvement, with savings surpassing the investment cost in less than four years.
- Investments in transportation that improve travel time reliability allow businesses to reduce their warehousing and logistics costs. A strong multi-modal transportation network allows Wisconsin firms to market their products worldwide at competitive prices. Transportation investment has contributed to a 140 percent increase in exports of Wisconsin-made products between 1988 and 2000.

Investing in the State Trunk Highway System Has Considerable Economic Benefits

The 11,780-mile Wisconsin State Trunk Highway (STH) System represents 11 percent of the roads and streets in Wisconsin, yet it carries 60 percent of all traffic, 75 percent of all commercial traffic, and a significant amount of tourist traffic. By increasing investment in the STH System to the $21.9 billion (2002$) specified in the Wisconsin State Highway Plan 2020, ($5.8 billion above the level needed to maintain current performance conditions) Wisconsin could generate $3.00 in benefits for every $1.00 of additional investment.

About 72 percent of that benefit would be enjoyed by people driving to work, visiting friends, and doing errands through travel time and operating cost savings. The remaining 28 percent would show up as increased disposable personal income for Wisconsin residents.

Another effect of the increased investment would be the creation and support of an average of 4,800 new permanent jobs over the forecast period – as highway investment reduces the cost of doing business in Wisconsin, thus allowing businesses to increase output and hire new workers. These employment opportunities are in addition to the new 4,300 jobs that would be supported – on average – through highway construction and routine maintenance.

> "Wisconsin could generate $3.00 in benefits for every $1.00 of additional investment"

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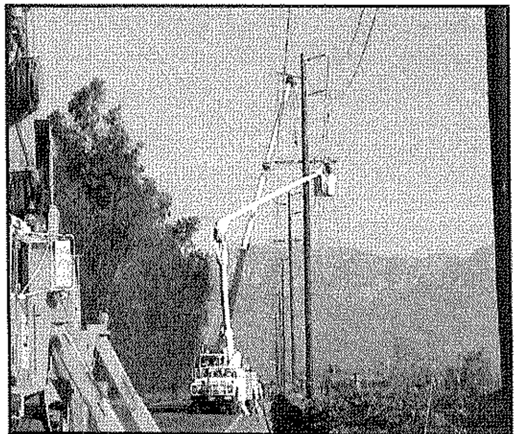

The Utility Construction Certificate Program was developed by IBEW Local 2150 and the Wisconsin Regional Training Partnership in conjunction with the following area contractors: Henshue Construction, Hooper Corporation, Michels Corporation, Pieper Electric, and Wisconsin Energies.

The goals of this program include:

- Filling the demand for workers
- Providing quality workers
- Creating a more diverse workforce in the field of utility construction.

Real Jobs Exist.
There's a shortage of workers in overhead and underground utility construction. Job growth is expected for skilled

GRADUATES QUALIFY FOR EMPLOYMENT AND ADVANCEMENT OPPORTUNITIES IN UTILITY CONSTRUCTION

For Information Contact:

Joe Nicosia
W.R.T.P.
414-906-4204
ext. 211

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ACQUIRE THE SKILLS YOU NEED TO SUCCEED

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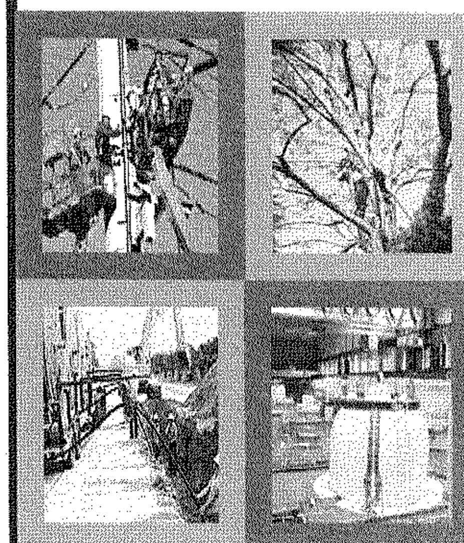
UTILITY CONSTRUCTION CERTIFICATE PROGRAM



Pre-employment Training Course for a Career in the field of Utility Construction

UCCP:
A Line on a Job

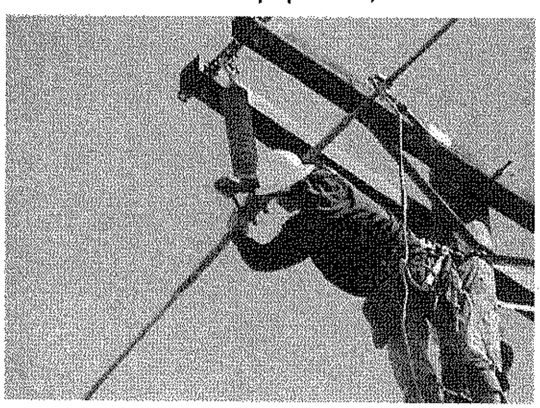
The Utility Construction Certificate is a program for people who want to enter the utility construction trades.

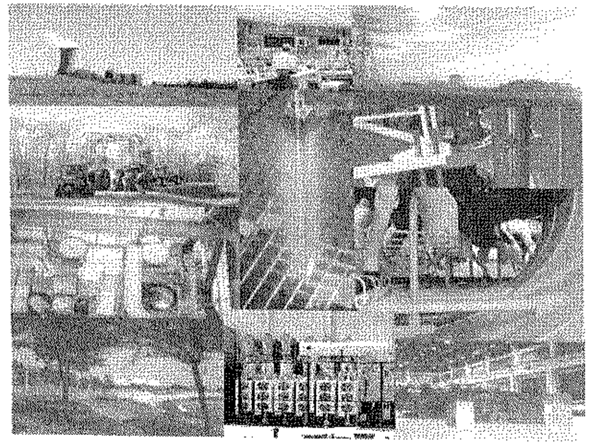
Entry-level positions require no prior experience in the utility construction industry. Entry level positions include:

- Equipment Operators
- Groundman
- Line Mechanic
- Line clearance (tree trimmers) (trainee, and brush dragger
- Meter Technician

The UCCP was designed to provide the immediate knowledge and skills you should have to enter the utility construction trade. The program entails 80 hours of classroom instruction in six basic areas:

1. Utility Math
2. Safety Awareness,
3. Construction Equipment,
4. Electrical Equipment,





5. Commercial Drivers License, and
6. Essential Jobs Skills.

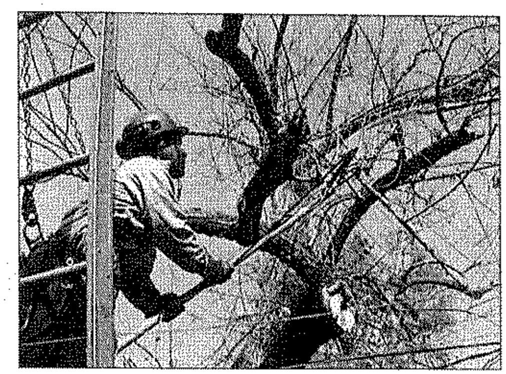
You are given as much hands-on training as possible in each area. The Utility Math includes beginning mathematics essentials for the electrical trades. It is taught in a down-to-earth format with concentration on the fundamental principles of whole numbers, fractions, decimal fractions, signed numbers, powers and roots, and units and measurements.

The hazards of working with electricity can be substantial, but are avoidable by following rigorous safety procedures. You will learn the importance of Safety Awareness. The essentials of safety covered include first aid/CPR, personal protective equipment, hazardous materials and utility company safety measures.

How to identify, properly use and care for construction equipment is taught. You will build a foundation in Electrical Equipment that includes identification, basic operation, hazards, capabilities, and maintenance.

The program will prepare you to obtain a Commercial Driver's License. And, you will be taught the essential job skills of attitude, work habits, and competencies necessary for success in the workplace.

Employers recognize the skills, commitment, confidence, competence, and qualifications that the Utility Construction Certificate Program produces. The certificate provides a means of identifying workers who can demonstrate knowledge of safe, efficient work practices and employability skills. This program helps to ready workers to enter into The line mechanics apprenticeship program and entry-level positions. Persons with training



will have the best opportunities.

The employment outlook for electric service organizations is very good. The field of utility construction currently offers entry-level career opportunities. Workers can then advance by going through an apprenticeship program and gaining on-the-job work experience. Substantial advancement is possible. So get started now and earn a Utility Construction Certificate.

END

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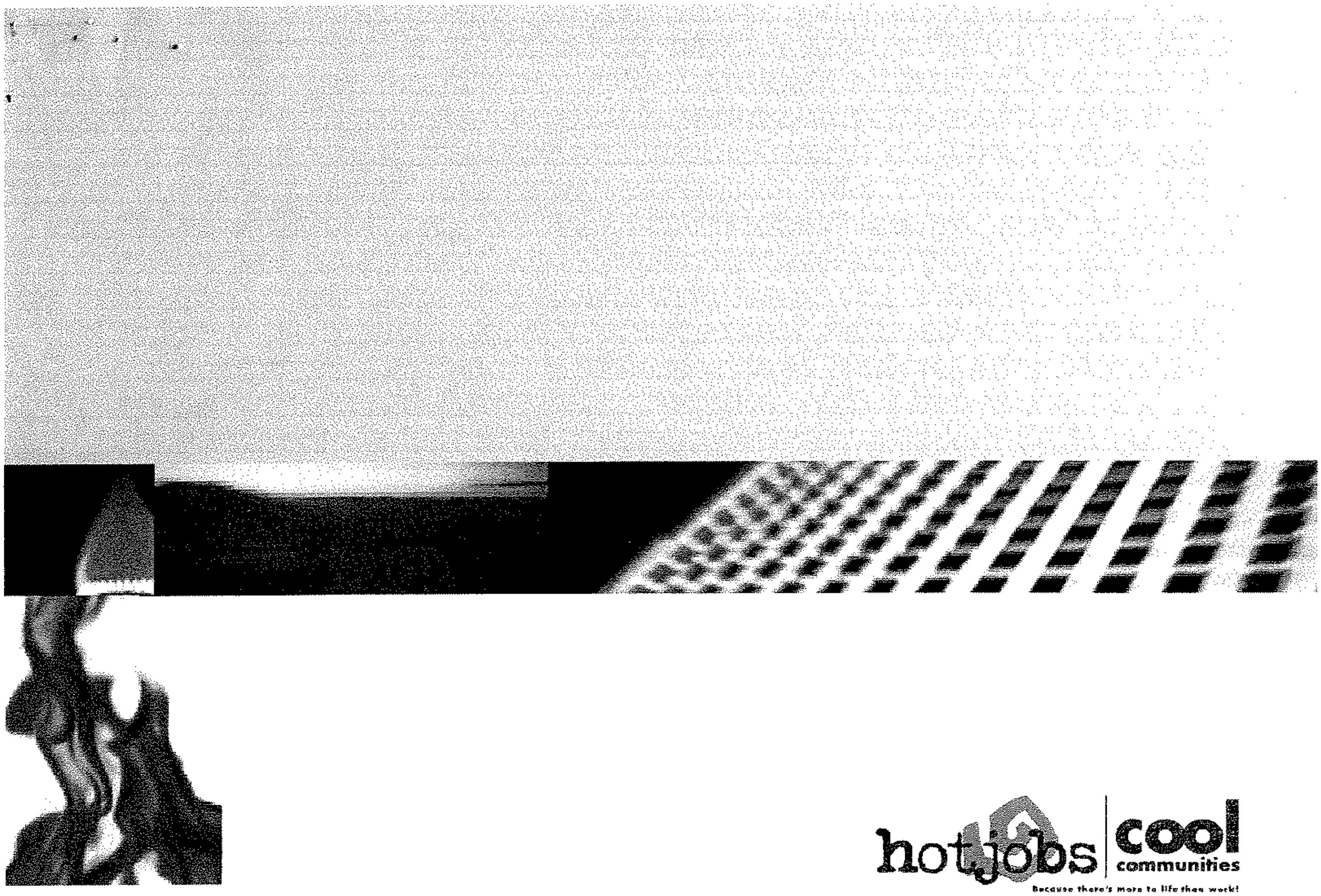


hotjobs | cool communities

Because there's more to life than work!

Talent Capitals: The Emerging Battleground in the War for Talent

A White Paper

T.O.C.

The Conversations are Changing

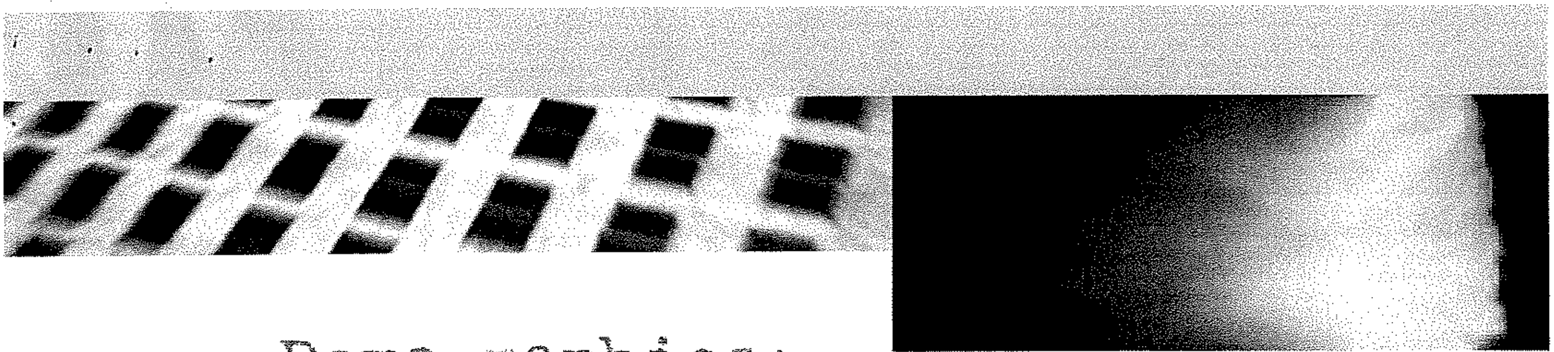
Once upon a time there was a new generation of talent who placed as much value on where they lived as where they worked. Asked to choose between 35 years of workaholism in return for predictable promotions, a nice parking spot and a corner office OR living in a diverse, progressive community with oodles of occupational options and a solid scene, today's young talent pick "B," thank you very much.

Hot Jobs - Cool Communities is a report card of the hippest places to live and work based on the metrics that matter to a new generation of talent. Hot Jobs – Cool Communities fuels the fire already bubbling under the conversations between talent, their employers and their communities of choice.

The conversations are bubbling because the talent pool is changing in three fundamental ways:
(1) The next generation of talent (b. 1961-1981) is smaller in size than their Baby Boomer (b. 1942-1960) predecessors resulting in a talent shortage;
(2) The next generation of talent is the first to have deep, imbedded skill sets in technology which makes them hot properties in the labor market; and
(3) The next generation of talent is the first to identify more strongly with their communities than their employers.

Talent Capitals[1] are the new battleground in the war for talent. Talent Capitals are communities that are perceived as "cool" to young talent. Talent Capitals are the pre-eminent predictor of a local economy's ability to attract and keep talent.

This is a seismic shift in how we think about economic development, corporate recruiting and community planning. It's based on over 4000 interviews and enough data to wallpaper your office. Please join us in the new conversations already brewing between talent, employers, and Talent Capitals.



Demographics: Power to the People

After the September 11 terrorist attacks, police and fire departments in New York City held an event to replace their fallen chiefs, lieutenants and commanders, most of whom were Baby Boomers. In one sweeping ceremony, the next generation of leaders was promoted, leaving their battalions severely understaffed. As one new officer remarked, "There just aren't enough of us to take up the slack."

There aren't enough Gen X'ers anywhere to back-fill Baby Boomers' shoes.

From the late 1960's to about 1980 America's workforce grew rapidly as Baby Boomers (b. 1943-1960) quickly filled jobs and women entered the workforce in record numbers.[2] Then came The Pill, Roe v Wade and a decidedly DINK[3] mentality. Birth rates slumped. A small generation of kids has grown up and become a small generation of employees.

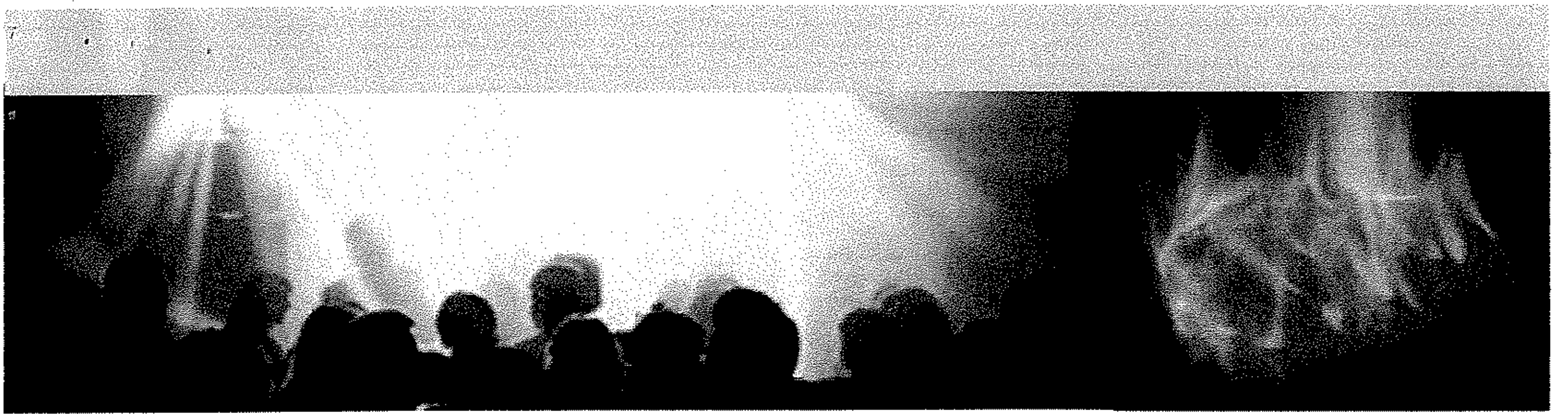
The future of the Generation X talent shortage is foreboding:

- By 2006, two workers will exit the workforce for every one entering[4];
- The 25-44 year old age group will decline by 15% over the next 15 years;[5]
- By 2008, there will be a shortage of 10 million workers across all employment categories by 2008.[6]
- Demand for skilled talent will grow each year from now until 2020;[7]

History teaches us that when the labor supply shrinks, wages increase. Mo' money lures mo' people. Soon everything is back in balance. That may work for isolated industries, but what happens when the entire labor pool shrinks and every industry is short-staffed?

Fewer people to employ + More jobs to fill = Power to the People

Today's economic reality is that young, tech-savvy talent can virtually name their price in a wide open market. Jobs are plentiful. And Gen X'ers attitudes towards work have changed. Drastically.



Employee Loyalty is Dead

Riding tandem to the grim labor shortage is a massive attitudinal shift among young talent. If it were a headline it would be "Employee Loyalty is Dead." Today's young talent rotate jobs every 18-36 months. Jobs are transient. Community is critical. The conversation has shifted.

In 1960 – before the first Gen X'er was born - if someone said he worked for IBM, he was understood. IBM had meaning. Your corporation, your title, your position...all were hooks on which to hang self-identity. This was the golden age of Corporate Men and Women. Navy suits. Shiny shoes. Hierarchy.

Forty years later, loyalty is dead. Corporations killed it. By 1984 as the oldest X'ers were leaving college to start their careers, America's most respected corporations laid off 3.4 million people. Gen X'ers were the first to go. The harsh reality for a new generation of talent is that college degrees don't guarantee jobs. Employers don't, either.

Forced to choose whether to rely on corporations or themselves for job security, America's first generation of latchkey kids chose The Man in the Mirror[8]. "Free Agent Nation"[9] describes a generation that relies on itself – not corporations – for job security. Free Agents do what it takes to build a portfolio of cool projects and a PDA of hot contacts.

By the time they're 32, today's young talent have had an average of nine jobs and have thought about or gone back to school and thought about or started their own business. Four out of five new businesses are started by Gen X'ers.[10] The next generation of talent don't work for employer. They work for themselves.

Today, communities define, not jobs.

Talent Capitals: Where the War for Talent Will Be Won

A 28-year-old scientist applies for a job at the Applied Physics Lab at Notable University. She's seeking a new professional challenge. After her third and final round of interviews, she turns to the HR director and asks, "If I come to work here, what's there to do on weekends?" Baffled, the HR director shifts in her chair and steers the conversation back to the job and the University. One week later, the candidate notifies NU that she's taken a lesser job in Denver because, "I like the idea of living near the mountains."

There's more to life than work for young talent. Faced with more job options and greater mobility than previous generations, young talent identify more strongly with their communities than their companies. The Wall Street Journal reported this emerging migration to Talent Capitals: "Pick a Place to Live, Then Find a Job."[11]

A February 2002 focus group confirms this mind-shift. Of participants who had graduated from college within the last 6 years and were in the process of relocating, all reported placing greater value on the quality of the community than the quality of the job. In the words of one 24 year old, "I can get a job anywhere. It's more important to me to find a place where I fit in."

Is your community a Talent Capital? Talent Capitals are defined by 43 metrics that matter to young talent. These metrics include commute times and public transportation, recycling rates, diversity, farmer's markets, vegetarian restaurants and access to public parks, trails and recreation areas. (See what defines a Talent Capital for the full list.)

Talent Capitals are cropping up in unlikely places like Nashville, TN and Milwaukee, WI. According to economic development experts, the Midwest may especially benefit after September 11. Shelley Jurewicz, Executive Director of Young Professionals of Milwaukee (YPM) reports, "Young employees seem to be thinking more about quality of life than the hustle and hassle of the bigger metros." YPM has experienced a 200 percent membership increase since August, 2001.

Talent Capitals will redefine our corporate landscape. Communities want companies. Companies need talent. Talent demands a great community. It's a virtuous balancing act that America's most progressive communities are pursuing with vigor. Are you a talent capital?

Please join us in the new conversations between talent, their employers and Talent Captials at www.hotjobs-coolcommunities.com.

What defines a Talent Capital

To find the coolest communities for young talent, we started with 221 U.S. cities whose percentage of under-40 folks matched or exceeded the national average. Next, we solicited Gen X'ers (b. 1961-1981) for their ideas on what makes a community cool. [Result: 171 brilliant ideas.] We narrowed it to 43 variables in three categories: diversity; amenities; and health & environmental factors. Finally - after extensive calculations (Who said you never use Algebra?) - 15 cities made the final cut.

Following are the metrics that matter to a new generation of talent:

- Air and Water Quality
- Recycling Rates
- Car Pools, Commute Times
- Traffic
- Public Parks, Trails, and Recreation Areas
- Sunny Days
- Farmers Markets
- Natural Foods Stores
- Fitness Centers
- Vegetarian Restaurants
- Rates of Crime
- Rates of Cancer
- Heart Disease
- Obesity
- Smoking
- Life Expectancy
- Fruit and Vegtable Consumption
- Work Sick Days
- Rates of Depression
- High Blood Pressure
- Unemployment
- Charitable Donations
- Cost of living
- Poverty
- Concentration of Designers
- Artists
- Authors
- Musicians
- Actors and similar Professions
- Percentage of Community Under 40 population
- Diversity (ethic, religious, sexual orientation)
- Number of Bars
- Nightclubs and similar per capita
- Number of Art Galleries, Museums, and similar per capita

Where are America's Talent Capitals?

1. San Francisco, CA
2. Minneapolis, MN
3. Seattle, WA
4. Boston, MA
5. Denver, CO
6. Portland, OR
7. Washington, DC
8. Austin, TX
9. Chicago, IL
10. Milwaukee, WI
11. New York, NY
12. Nashville, TN
13. Pittsburgh, PA
14. Los Angeles, CA
15. Atlanta, GA

cool communities

cause there's more to life than work!

End Notes

[1] "Talent Capitals" is a term we use to describe the Cool Communities in this report

[2] Hudson Institute as reported by BrassRing, "Talent Relationship Management," 2001

[3] DINK: Reaganese for Dual Income No Kids

[4] Bureau of Labor Statistics

[5] Bureau of Labor Statistics

[6] Bureau of Labor Statistics

[7] Bureau of Labor Statistics

[8] Michael Jackson's song by this name was a Top 40 hit as Gen X'ers grew up.

[9] Seth Godin originally coined this term. Catchy, huh?

[10] Time Magazine, "Gen X'ers aren't Slackers After All," April 8, 2002

[11] Wall Street Journal, January 27, 2002

Next Generation Consulting is the proud parent of the groundbreaking report, "Hot Jobs - Cool Communities."
Next Generation Consulting helps communities attract the next generation of talent by becoming Talent Capitals.
You'll find this White Paper, a complimentary e'zine and more opportunities to join the Hot Jobs - Cool Communities conversations at www.hotjobs-coolcommunities.com.

NEXT GENERATION CONSULTING

Today's Agenda

- ✓ Identify 3 critical trends for talent attraction
- ✓ Re-frame Wisconsin's workforce shortage

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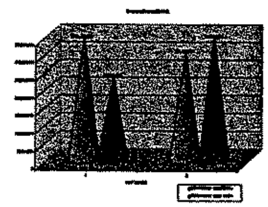
Critical Trend #1

There's a *smaller labor pool* from which to draw.



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Talent Economics

- By *2006*, two employees will leave the workforce for every one entering
- By *2008*, a national shortage of *ten million* workers
- By *2022*, *80,000* Wisconsin workers reach retirement age.

"In Wisconsin, we are all white and we are all old."

-Terry Ludeman
Chief Economist
WI Workforce Development

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"In developed countries, the dominant factor in the Next Society will be something to which most people are only just beginning to pay attention: the rapid growth in the older population and the rapid shrinking of the younger generation."

- Peter Drucker, ***Managing in the Next Society***

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Critical Trend #2

Companies go *where the Talent is.*

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"My job in the coming years will *not* be to attract companies. 100 percent of my job will be to attract talent."

– Nashville Area Chamber Exec.

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Critical Trend #3

3 out of 4 Gen X'ers under the age of 28 *first pick a place to live*...and then find a job.

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What makes Community Cool?

	Racine	Milwaukee	Chicago	Minneapolis
Housing	103,690	92,440	136,440	116,050
Income	16,110	14,569	18,166	20,698
Job Growth	10.2	-1.0	5.5	7.6
Starbucks	1	4	72	13
Farmer's Markets	2	11	32	10
Commute	16	20	30	19

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Young Talent want to live in Cool Communities as Measured By*:

1. **Earning Index**
2. **Learning Index**
3. **Vitality Index**
4. **After Hours Index**
5. **Around Town Index**
6. **Cost of Lifestyle Index**
7. **Social Capital Index**

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Madison's Handprint

Excellent Scores in:

- **Social Capital**
- **Earning**
- **Around Town**

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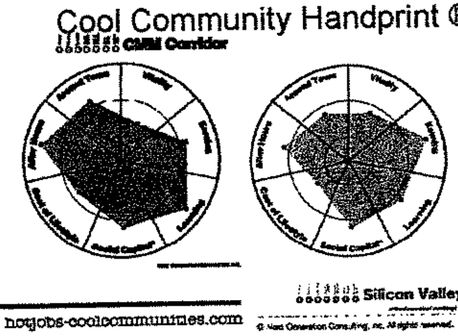
CMM v. Silicon Valley Cool Community Handprint ®



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What else do we know about the Next Generation?

- 28 is the avg age of a first marriage
- By the time they're 32, they've had 9 jobs
- They live and work regionally
- They stay where they have a voice
- 4 of 5 new businesses started by women, X'ers and minorities

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- In 1969, only 1% of all businesses were owned by females. In 2000, 46% of all businesses were owned by women with a 7% growth rate since 1997;
- During the 1990's, female headed companies created more net new jobs than the Fortune 500 companies combined'
- Females started 10 times as many businesses as men in the 1990's.

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How can Wisconsin win the Race for Talent?

- Think *Regionally,* like talent does
- Build on Handprint
- Demand and support a *coordinated effort*
- Engage *women, X'ers and minorities* in workforce initiatives.

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Keep in Touch

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