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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

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

COMMITTEE NOTICES ...

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

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

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

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

**TESTIMONY OF CENTURYTEL PANEL
[Lorenzo Cruz, Dan Mumm, Wally Purdun]**

Date?

Regarding SB 111 – The Patronage Capital Bill

Summary

Telephone cooperatives today are asking you to make a significant change in the law which would threaten ratepayers and jeopardize fair competition in Wisconsin. Contrary to decades of law and careful protection of ratepayer service, the management of cooperatives want you to change the law so that they can subsidize new unregulated ventures with margins generated from regulated service to ratepayers. The cooperatives' management is asking you to allow them to take ratepayers' money, which belongs by law to those ratepayers, and give them an unlimited free reign to risk that money. With the law they have asked you to pass, there would be no legal restriction on the ways they might misuse ratepayer money.

This change is not needed. The cooperatives claim that the law must be changed so that they can provide internet services to their members, but a check of their websites indicates that at least 9 of the 11 cooperatives are today offering broadband internet service. One cooperative's website says "High-speed internet installs are going great! . . . Please allow a couple of weeks [for] installation. We're working as fast as we can." Nonetheless, if they find it inconvenient to provide or expand such services as a telephone cooperative today, they have choices that do not involve jeopardizing ratepayer money. For example, they could reorganize their cooperative into a for-profit corporation. While they would no longer enjoy the privileged tax status that a cooperative receives for running on a not-for-profit basis, they would at least then be on a level playing field.

And let's be clear that this bill would change the law. It would not, as the cooperatives assert, simply return the law to what it was prior to 2003. In 2003, the Public Service Commission rightly recognized that the protections provided by statute to ratepayers should not be jeopardized by the misuse of patronage capital. They had found previously that one Wisconsin cooperative had in fact violated the law by illegally cross-subsidizing non-regulated services with patronage capital. (In fact, the Department of Justice assessed the largest fine ever against that cooperative for violating cross-subsidization laws.) The 2003 decision did not change anything, it simply reaffirmed the law that has long been in place.

This bill would hurt ratepayers, it is not needed and it would seriously disrupt the level playing field for competition in Wisconsin. It is a bad idea which is harmful to ratepayers and competitors.

What the Bill Would Do

Specifically, the bill would remove current protections in law that guard against the abuse of ratepayers in the telecommunications market. Section 196.204(1) of the Wisconsin Statutes today prevents a regulated telecommunications utility (a category which includes cooperatives, CenturyTel and other telephone companies) from overcharging ratepayers so that the surplus can be used to subsidize other customers or other services to their ratepayers. For-profit corporations like CenturyTel generally have their rates closely reviewed by the Public Service Commission, and the rates are set at a level closely determined to be both compensatory in terms of the cost involved in providing the service and, if the provider manages its operations well, to provide a regulated level of return on the corporation's investment. This profit is the corporation's money. It is considered to be retained earnings. The management of a corporation, and more importantly the shareholders of a corporation, know that it is up to

management's discretion whether those retained earnings are given to the shareholders as dividends or are used for other purposes of the corporation.

Cooperatives, in contrast, have been created to operate on a not-for-profit basis and are given privileges in tax law because they are run on a not-for-profit basis. The central mechanism by which a cooperative demonstrates that it is run on a not-for-profit basis is that, to the extent it ends up charging its members more than the cost of the service provided, that margin is considered to be "patronage capital" and is considered by law to be the members' money – not management's. Cooperatives have historically and appropriately maintained patronage capital accounts by which the needs for working capital in the provision of regulated service to their members are met. But tax law, Wisconsin utility law and the cooperatives' own bylaws are absolutely clear that patronage capital is the members' money and cannot be spent on risky unregulated ventures.

In other words, if a Wisconsin telephone cooperative were allowed to use its patronage capital for anything other than regulated service to its members, it would in fact be overcharging its member/ratepayer for plain old telephone service to create an investment slush fund to be used at the discretion of management. Hypothetically, let's say that overcharge is \$100 a year for a particular customer. Most customers, if given the option, would want the money back rather than invest it in a management-promoted unregulated venture. The law was written to protect the ratepayer, and it is absolutely clear that that patronage capital belongs to the member, and it should be given to the member. And if management goes and spends it on a risky investment (as they could do if you change the law), there is no guarantee that that patron's money will provide any return or benefit to that ratepaying member or even that it will ever be returned at all.

Competition at Risk

It is not just ratepayers who would be harmed by a change to the current law. Competitive providers, including CenturyTel, would be harmed as well. Fair competition is good for America, and it is good for the telecommunications industry. But unfair competition is not. It can skew the marketplace. It can shift costs with potential negative consequences. For example, it might discourage competitive providers from ever introducing competition into the cooperatives' service territory.

For example, one cooperative that was found to violate the law abused its patronage capital accounts and, because it had overcharged its members in building the patronage capital accounts, was able to illegally use that money for the creation of a competitive telecommunications provider. That competitive entity was then able, because of these subsidies, to undercut both cable and telecom providers in other parts of the state, with the initial harm suffered by incumbent providers such as Charter and CenturyTel. Today that same entity threatens other small telephone companies throughout the state. While the individual customers of that cooperative affiliate (but not the cooperative customers themselves) may derive some benefit from the subsidized lower prices, the people who provided that subsidy in the first place might not be so happy about it and might not even be aware of it. And if that entity fails, it would eventually be the hometown ratepayers of the regulated cooperative who would bear the financial burden.

Further, such entities subsidized by improperly used patronage capital are likely to go in and cherry pick the highest profit customers in neighboring competitor's territories, while leaving the highest cost customers there to the provider of last resort. In the long run, this would be unsustainable and would threaten universal service.

CenturyTel's Experience

Great harm can result from improper cross-subsidization. In the service territories in which cooperative affiliates operate, subsidized service offerings can be used to undercut incumbent service providers who are the providers of last resort. The harm caused by such subsidized competition can be felt throughout the incumbent's service territory, whether or not the competitive cooperative affiliate provides service in all portions of that territory. The fixed costs of the incumbent must be spread over a smaller number of subscribers. The highest cost customers likely will never be offered service by the competitive cooperative affiliate. The result could be increased rates or even abandonment of service in certain areas by incumbents.

Further, the suggestion that only cooperatives will provide advanced services to rural Wisconsin is without foundation. CenturyTel, in fact, has made substantial investments in its territories to improve its infrastructure and facilitate the introduction of advanced services, which are now widely available. For example, in the five year period ending December 31, 2004, CenturyTel invested \$364 million in its telecommunications infrastructure in Wisconsin. A large portion of that of that was invested in the deployment of more advanced services such as the replacement of switches, deploying ADSL, voice mail and on improvements and updates to its fiber optic network. Additionally, over 77% of CenturyTel's access lines are now capable of receiving ADSL services. Further, cable, satellite and wireless companies are all involved in bringing advanced services to rural areas. But, even the best provider of service will find it difficult, if not impossible, to compete in the long-run with subsidized competitors.

And there may really be no need to provide such ratepayer-funded subsidies. We are aware of exchanges in rural Wisconsin in which customers have multiple options for broadband service, including through an incumbent local exchange carrier, a competitive local

exchange carrier, and a cable company. Improper subsidies are not the only way to bring broadband to rural Wisconsin.

Advanced Services Today

The cooperatives may tell you that they are unable to provide advanced services like broadband internet today, but a check of their websites indicates that the vast majority of them are, in fact, offering such services today.

Further, if the cooperatives tell you that they cannot continue to expand such services without using patronage capital, do not believe them. There are ways that they could provide new services to the current people who are their members. For example, if the cooperative truly believes that it can no longer operate and thrive as a telecommunications utility if it is limited by the restrictions placed on its patronage capital, it could reorganize as a for-profit corporation. It would, of course, lose some of its privileged tax benefits today and it could also end up in having its rates more closely reviewed by the Public Service Commission, but it would then be freed from the restrictions on the use of patronage capital. In particular, it would then be allowed to generate retained earnings from any properly allowed profits on the provision of regulated service to its ratepayers, and it could use such retained earnings the way any other for-profit corporation uses retained earnings.

Finally, we note that CenturyTel itself is not truly able to provide DSL broadband services to cooperative members today because of the protections in law which the cooperatives enjoy. Specifically, under the rural exemption of the Telecommunications Act of 1996, CenturyTel cannot get access to the unbundled network elements of the cooperatives needed to reach the customers without first going through a contested proceeding at the Public Service Commission where the cooperatives would no doubt oppose the incursion of CenturyTel into

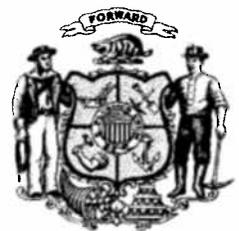
their territory. We are not aware of any cooperatives today that have opened up their service territories for competition in either telephone service or for the sale of unbundled network elements that would allow CenturyTel or others to provide broadband service in their territories.

As it is, the cooperatives today want to add one more privilege to their already protected status. To the IRS, they want to appear to be a not-for-profit enterprise. To the Public Service Commission, they want to appear to be a struggling regulated utility which must have its service territory protected. To its ratepayers, it wants to appear like old Ma Bell, charging well more than cost but holding out the promise of future gizmos. And to potential new customers, it wants to appear to be an unbelievably low cost provider.

But they cannot have it all ways. And they should not. Ratepayers and fair competition must be protected. This bill should not pass.



WISCONSIN STATE LEGISLATURE



Date?

What do you believe the future of Coops?

Responses to questions that will likely be raised at the hearing:

Claim: SB 111 Would Allow Cooperatives to Cross-Subsidize

This bill does nothing more than give telephone cooperatives access to a source of funds for modernization and investment – the very same source of funds that every other telephone company in Wisconsin can access for this purpose. Without this legislation, cooperatives have no investment capital to provide much needed services in their rural territories.

You know that old adage about pointing fingers? The fact is, our opponents are currently allowed to use their retained earnings, sourced from ratepayers, to buy equipment, leverage loans and make investments. And you must remember that our ratepayers are the member owners of our cooperatives, with voting rights, control over the Board of Directors and the ability to review all books and financial decisions. As a result, our members have many more protections against improper cross-subsidization than the ratepayers at CenturyTel or any of the other companies opposing this legislation.

Claim: Cooperatives have Franchise Protection in their Service Territories

All small rural telcos have franchise protection for wireline services, but that is easily rescinded by the PSC through a petition process when other companies want to provide service in franchised areas. And, franchise protection does not apply to non-wireless services such as broadband, Internet, digital television, cellular, paging, Voice over Internet Protocol, etc. These are the types of services addressed by SB 111.

There are many opportunities for another company to come into our service territories to provide local phone service if they wanted to. It simply requires the PSC to approve it and oversee the negotiation of an interconnection agreement. The fact is, few companies want to come in and provide these services. That's why we exist in the first place.

Claim: Cooperatives Don't Pay Taxes

Telephone cooperatives pay income taxes through the "ad valorem" tax which equals the gross receipts tax they would pay if they were a for-profit company. As for federal taxes, cooperatives are subject to an "85-15" rule which exempts them from paying federal income taxes if at least 85 percent of annual revenues come from its core co-op business. Seven of the eleven Wisconsin telephone cooperatives did not qualify for the exemption last year and paid federal income taxes.

Regardless of the 85-15 rule, cooperatives pay taxes on any income that comes from a non-member source. In other words, if a telephone cooperative were providing broadband services to a community outside its membership territory it would pay taxes on the income derived from the provision of those services. Contrary to the rhetoric espoused by the opponents to SB 111, cooperatives and investor-owned utilities are on the same level playing field when it comes to providing these services.

Claim: Cooperative Collect and Accumulate Income Taxes in their Rates

For profit companies don't pay taxes, their customers do. It is clearly stated as a tax on their bills. Cooperatives aren't collecting any taxes that they are not paying. And they are only exempt from taxes on member-sourced income that is returned to members. How is this unfair competition as it relates to retained earnings? If their claim is that not-for-profit companies should pay taxes, that's another bill entirely, and one that would be opposed by a broad cross-section of interested parties.

Further evidence that cooperatives don't collect taxes in their rates: A study of 241 rural telephone companies (Telergee Benchmark Study of both cooperatives and non-cooperatives) found that on

Provide services outside membership territory

average, cooperatives' equity is 10% less than for-profit telephone companies. If cooperatives are accumulating tax income why isn't it reflected in their financial statements? The answer is because they are not accumulating tax income because they never collect it.

Claim: SB 111 Allows a Cooperative to Charge Members Excessive Rates in Order to Generate Retained Earnings Margins

CenturyTel's 2004 balance sheet shows retained earnings of over \$3 billion. SBC? \$29 Billion. Verizon? Almost \$13 Billion. In comparison, the majority of our telephone cooperatives have patronage capital of less than \$4 million.

Remember what these figures equate to under current law: CenturyTel, SBC, Verizon and every other telco can leverage loans or make investments in any amount up to their retained earnings. As of the past two years, telephone cooperatives can't even use patronage capital as collateral on loans to invest in new technologies.

Claim: SB 111 is Unfair Competition

Our opposition's arguments states: "SB 111 would provide a disincentive for competition by allowing cooperatives to use money that rightfully belongs to the ratepayer to support investments in advanced services." They make our argument for us. That money rightfully belongs to our members, and if they want their cooperative to provide advanced services, then the cooperative should not be restricted from doing so.

As for a disincentive for competition, is the opposition saying that they only want to provide services where there is an open market and no competition? Are they saying member-owned cooperatives should be prohibited from competing simply because they are member-owned and not-for-profit, even though they pay taxes on non-member sourced income? We believe this is the true reason our opponents are fighting this legislation: because they want to suppress competition in all ways possible. Unfortunately, it is rural residents who will suffer if they are successful.

Claim: SB 111 Would Allow Cooperatives to Make "Dangerous" Investments

First of all, let's point to history. Wisconsin telephone cooperatives have been allowed to use patronage capital for investment purposes from their inception. None of them have made risky ventures and all of them are financially sound.

Second, cooperative members have a say in all financial decisions made by the cooperative. Their books are open to review at any time and are scrutinized at annual meetings. If a venture should lose money, the membership has several remedies at its disposal, and the likely result would be the dispatch of directors and the manager. Thus, there is no motivation whatsoever for a cooperative to invest in any venture that is not endorsed by the membership.

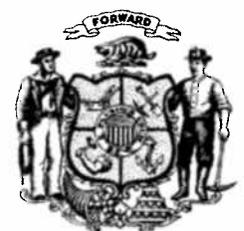
And finally, we must point out that for-profit telephone companies are again pointing fingers in our direction when they should be looking in the mirror. Nothing stops them from using their retained earnings for risky ventures and endangering shareholder's money.

Claim: Should a Cooperative Invest in a Service that Fails, the Entire Cooperative Could Go Under

Cooperatives invest in services our memberships want. That is how we know it will be successful. If we aren't able to invest in services our memberships want, we will become obsolete and our cooperatives will go under.



WISCONSIN STATE LEGISLATURE



for SB 111?
Date?

AB 515
PATRONAGE CAPITAL/CROSS-SUBSIDIZATION BILL
BAD FOR RATEPAYERS; BAD FOR COMPETITION

The patronage capital/cross-subsidization bill (AB 515):

- Would legalize previously banned cross-subsidies and place rural telecommunications consumers at risk.
- Was drafted at the behest of telephone cooperatives who want to invest in risky competitive ventures to serve non-members, rather than focusing on the core non-profit service to coop members that has served Wisconsin well for decades.
- Would create unfair competition by legalizing a new, subsidized class of competitor.

BACKGROUND

- **Current law.** Telephone cooperatives were organized in Wisconsin 50 years ago to help extend service to remote rural areas. These service territories are protected from competition. A cooperative is a special type business of business organization: unlike a corporation, it generally has no shareholders and it need not pay taxes on the "profits" it makes.
- In their core function, telephone cooperatives provide service to their members at cost; if service is priced above cost, then the cooperative generates a "margin." Margin collected from members is considered "patronage capital." Unlike the profit of a corporation, the cooperative does not pay taxes on this margin.
- In 1985, the Legislature prohibited utilities' use of revenues collected from ratepayers to subsidize competitive business ventures. A utility can only use its after-tax profits, or "retained earnings," to invest in such ventures. Because patronage capital is not taxed and must be distributed to coop members, it is not the same thing as retained earnings.
- **Proposed Change.** AB 515 would remove the restriction on patronage capital subsidies. For the first time, cooperatives could legally charge their member/ratepayers excessive rates in order to generate margins that could be used to support risky unregulated business ventures targeted at non-members (the customers of other telecommunications utilities).

RELEVANT TERMINOLOGY

- **Patronage Capital.** A cooperative's patronage capital is the margin collected from its ratepayers/members, reflecting that portion of rates collected that are above the actual costs of service. Cooperatives are required by law (Wis. Stats. §184.45) to return

patronage capital to their members; cooperatives are not taxed on patronage capital. By definition, patronage capital is not the same thing as retained earnings.

- **Retained Earnings.** Section 196.204(1) uses this term to refer to a telecommunication utility's after-tax earnings which can appropriately be used for investments in unregulated businesses. Unlike patronage capital, there is no legal requirement to pay out or allocate retained earnings on a systematic basis. Limiting subsidization of competitive business ventures in this fashion protects competition or ratepayer interests.

BAD EFFECTS OF THE PATRONAGE CAPITAL/CROSS-SUBSIDIZATION BILL

- **Ratepayers at Risk.** The bill would remove the discipline created by cooperative bylaws that require the cooperative to operate as a non-profit business which returns its patronage capital to members. Ratepayers will pay more for regulated service, so that the margin to subsidize unregulated businesses which serve non-members. Should the unregulated businesses fail, the entire cooperative could go under.
- **Wrongdoers "Pardoned".** One telephone cooperative in Wisconsin has already been caught violating the law by using patronage capital to start up and build businesses that provide services to non-members. The bill would for the first time condone such illegal and inappropriate behavior.
- **Competition Threatened.** If the bill were adopted, a new class of competitor would be created, one that can use pre-tax dollars raised from ratepayers to create and build new unregulated ventures. Subsidized competition against incumbent providers who are required to provide service even to high cost areas can lead and has led to cherry-picking and real harm to providers of last resort.
- **Disincentive for Advanced Services.** The coops claim that they need to be able to subsidize competitive telecommunications services in other utilities' service territories so that advanced services can be provided in rural areas. For-profit utilities like CenturyTel already provide a full array of advanced services throughout their rural territories. Subsidized competition from coops will provide a disincentive against further investment in rural territories by for-profit utilities, investment which could become "stranded" due to unfair competition. Nothing stops coops from providing advanced services to their own member customers.
- **Public Service Commission.** The cooperatives previously asked the PSC to make this change by considering patronage capital to be retained earnings. The PSC, acting consistent with the law and sound public policy, declined. In measuring the financial health and ability of cooperatives to provide economical, reliable service to members, the PSC saw the change as a serious threat. It said patronage capital "should not be placed at risk of loss (or gain)" and that to "do otherwise would endanger the cooperative's core utility capital structure, inconsistent with the legislative intent expressed in Section 1 of 1985 Wisconsin Act 297, which [said] the Commission should keep 'as its main purpose the protection of the interests of ratepayers of public utilities offering regulated telecommunications services' during a time of transition in the telecommunications

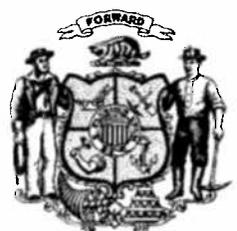
industry. *Accounting Treatment for Patronage Capital by Telecommunications Cooperatives*, PSCW Docket No. 05-US-115, January 2003.

HISTORICAL NOTE

- **LRB Analysis Inaccurate.** The LRB analysis of the patronage capital/cross-subsidization bill says that coops were allowed to subsidize competitive ventures with patronage capital until 2003. As the following chronology shows, this is incorrect.
- **Early Decades.** Cooperatives have always had restrictions placed on the uses to which patronage capital could be put. The restrictions that patronage capital be returned to members (unlike retained earnings) has been present in most Wisconsin cooperative bylaws since they were created, and form an important basis for the tax benefits that cooperatives have always enjoyed.
- **1985 Act 297.** The Legislature restricted the ability of telecommunications utilities to subsidize unregulated business ventures in 1985. This legislation effectively prohibited utilities from charging higher rates for regulated services in order to finance competitive ventures. Only corporate after-tax profits, *i.e.* retained earnings, could be used for investments in such ventures.
- **1988.** The restrictions placed on patronage capital and distinguishing it from retained earnings are embedded in a cooperative's bylaws. The system of accounts used by the PSC happened to include separate subaccount titled patronage capital. A new system was adopted in 1988 did not have an account by that name.
- **Chibardun Order, November 2001.** The PSC found that a cooperative had been using patronage capital to subsidize unregulated affiliates providing service to non-members. It found this to be a violation of the law, because the subsidies did not come out of "retained earnings."
- **Patronage Capital Accounting Decision, January 2003.** After the Chibardun Order, the PSC instructed the cooperatives as to the correct account to be used for patronage capital, as the case had brought this issue to the PSC's attention. In response, the cooperatives asked the PSC to allow patronage capital to be considered retained earnings and thus eligible for subsidization of unregulated businesses for non-members. The PSC denied the request.
- **Patronage Capital Legislation, AB 515, 2003-04 session.** The bill had a public hearing and died in committee last session.
- **Now.** The cooperatives are again seeking from the legislature something that is forbidden by their bylaws, is antithetical to their non-profit organizing principle, and that would place their ratepayers and fair competition in Wisconsin in jeopardy.



WISCONSIN STATE LEGISLATURE



Restrictions on Telephone Cooperatives in Other States

In connection with SB 111, the telephone cooperatives claim that Wisconsin is the only state that restricts the ability of telephone cooperatives to cross-subsidize their affiliates or non-regulated activities with patronage capital. That is not the case.

It should be noted that many states have no telephone cooperatives today. Nonetheless, restrictions on cross-subsidization that protect revenues from regulated services (e.g. patronage capital) are common in many states, for example:

Virginia: "The following practices are prohibited: (1) Cost shifting or cross subsidies between a cooperative and its nonregulated affiliates;" 20 Va. ADMIN. CODE § 5-203-30 (2005).

Colorado: "The price of telecommunications services or products which are not subject to the jurisdiction of the commission shall not be priced below cost by use of subsidization from customers of services and products subject to the jurisdiction of the commission, and any such cross subsidization is deemed to be an illegal restraint on trade" COLO. REV. STAT. § 40-15-106 (2005).

Delaware: "Cross-subsidization of competitive services with revenue generated by basic services or discretionary services is prohibited. Cross-subsidization of discretionary services with revenue generated by basic services is prohibited." DEL. CODE. ANN. tit. 26, § 7109(a) (2005).

Florida: "The price of nonbasic telecommunications service ... shall not be below its cost by use of subsidization from rates paid by customers of basic services." FLA. STAT. ch. 364.3381(1) (2004).

Hawaii: "Noncompetitive services offered or provided by any telecommunications carrier must not cross-subsidize the telecommunications carrier's competitive services." Haw. Admin. Rules § 6-80-35 (2005).

Idaho: "may not subsidize nonprice-regulated telecommunication services with those telecommunication services price-regulated by the commission" IDAHO CODE § 62-613 (2005).

Illinois: "Commission shall not allow any subsidy of competitive services or nonregulated activities by noncompetitive services." 220 ILL. COMP. STAT. 5/13 507 (2005).

Michigan: "Basic local exchange or access rates or proceeds ... shall not be used, directly or indirectly to subsidize or offset the costs of other products or services offered by the provider or an affiliate of the provider..." MICH. COMP. LAWS § 484.2308(1) (2005).

Minnesota: "No [provider] shall subsidize flexibly priced or non-price-regulated services from other services." MINN. STAT. § 237.770 (2004).

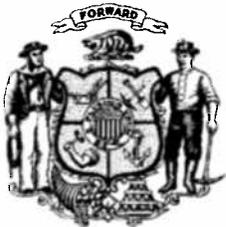
Oregon: "No telecommunications utility may use revenues earned from or allocate expenses to that portion of its business which is regulated under this chapter to subsidize activities which are not regulated under this chapter" OR. REV. STAT. § 759.030(5) (2005).

Pennsylvania: "it is the policy of this Commonwealth to ... ensure that rates for noncompetitive telecommunications services do not subsidize the competitive ventures of providers of telecommunications services." 66 Pa.C.S. § 3001 (2004).

Tennessee: "The authority shall, as appropriate, also adopt other rules or issue orders to prohibit cross-subsidization" TENN. CODE ANN. § 65-5-208(c).



WISCONSIN STATE LEGISLATURE



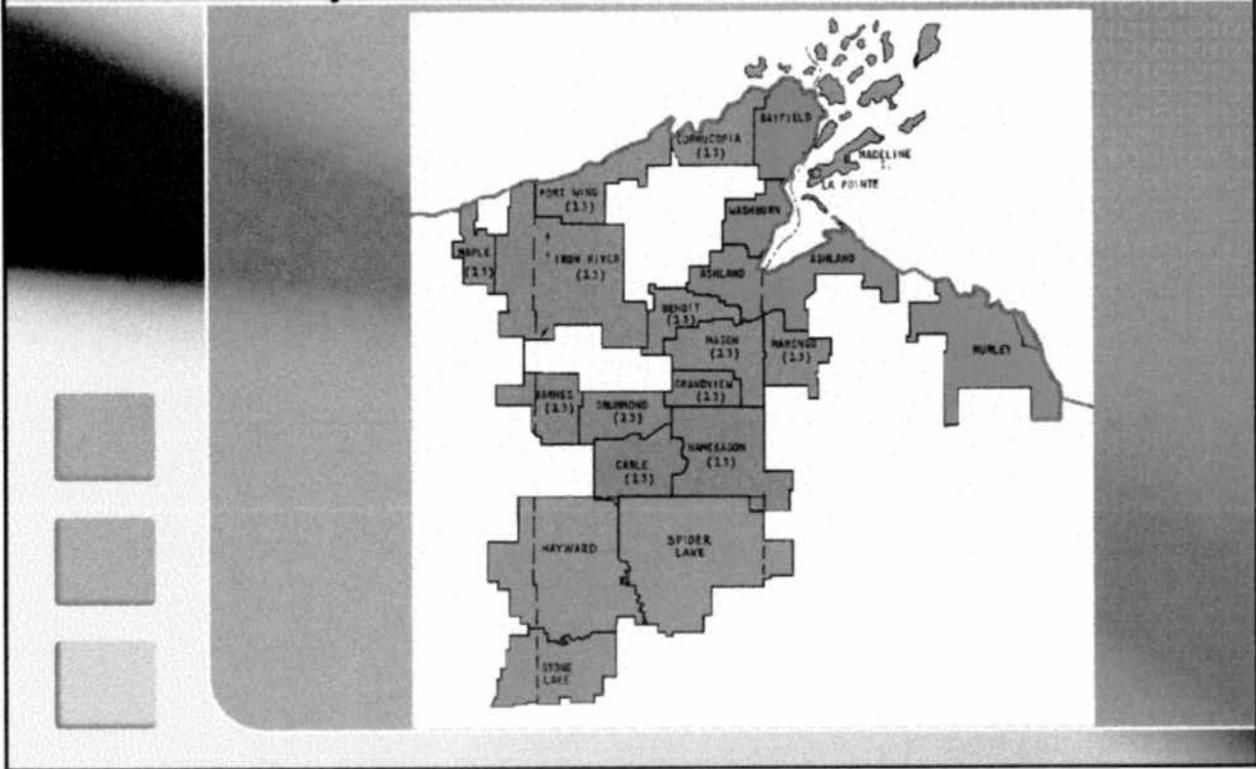
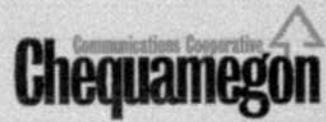
SB 111 ?
Date ?

Who We are



- Chequamegon Communications Cooperative, Inc.
- 7 member board of directors
- Currently have 53 employees
- Serve a four county area –Primary Bayfield County
- Serve about 10,000 access lines in 13 exchanges
 - Cooperative covers over 1,268 square miles
 - 7.8 access lines per square mile
 - 3.63 subscribers per route mile
 - 2,723 total route miles – over 310 miles of fiber

Service Area Map- Purple Area



Chequamegon's Customer Base



- 1/3 of Customers have out of area billing address – Seasonal or Summer Homes
- Approximately 80% of new home construction being built for seasonal residences



Past Business Ventures that Chequamegon might not have been able to do under present interpretation

- Wide-Area Paging System – only provider in rural area – provides emergency personnel with essential service
- Internet services – considered unregulated
 - Part of Consortium of telephone companies that brought internet services to rural areas in Northwest Wisconsin Groups consolidated into
- Redundant Toll Route to provide more dependable toll service to our customers – hard to run a business with no toll service for hours or days at a time.
- Deployment of Video (Cable TV) services to Rural Customers

Bragging Rights - Industry



- Quality Telephone Service to area
- Only Wide-area paging service
- One of first companies in U.S. to try to provide CATV to rural customers over copper (3M Project)
- Selected by the Wisconsin Public Service Commission to takeover the provisioning of service to Madeline Island

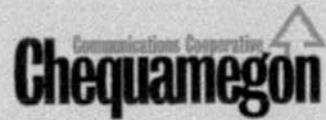


Bragging Rights- Industry (cont.)



- One of 21 telephone companies to bring internet service to rural Northwestern Wisconsin (Centurytel was one of the members)
- One of the founding members of Wisconsin Independent Networks – which provided Northwestern Wisconsin with another Toll route.
- Bringing Digital Video and DSL to our rural customers

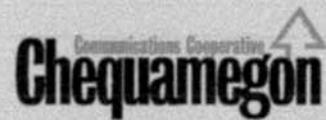
Bragging Rights - Community



- Award \$10,000 worth of scholarships each year
- Very Active in local fundraising
 - Fire departments
 - Ambulance service
 - Cancer Drives
 - MS
 - Alzheimer's
 - Community Centers
 - Others too numerous to mention



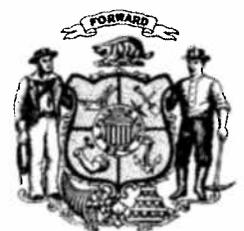
Deregulated Other Services



- Dial-up Internet
 - 5,100 accounts
- Broadband – DSL
 - 1,258 accounts
- Paging
 - 543 accounts
- Long Distance
 - 8,700 accounts
- Digital Video
 - 1,300 accounts
- Security systems and monitoring
 - 475 accounts
- Competitive Local Exchange Company
 - 1,230 Telephone accounts



WISCONSIN STATE LEGISLATURE



SB 111 ?

**COMPARISON OF BUSINESS AND ACCOUNTING METHODS:
TELEPHONE COOPERATIVES VS. INVESTOR-OWNED PHONE
COMPANIES**

	Investor-owned Corporation	Cooperative
Who uses the services?	Generally non-owner customers	Chiefly the owner patrons
Who owns the business?	Stockholders	Member patrons
Who has voting rights?	Common Stockholders	Member patrons
How is voting done?	By shares of common stock	One member, one vote
Who determines policies?	Common stockholders and Board of Directors	Member patrons and Board of Directors
Who gets the operating proceeds?	Stockholder by proportion of Stock held	Patrons on a patronage basis

**Cooperative Balance Sheet
(Cochrane Telephone – 2004)**

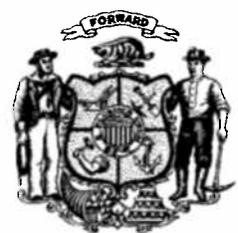
Assets	
Cash and equivalents	\$ 182,704
Accounts Receivable	\$ 138,339
Materials, Supplies	\$ 5,152
Other	\$ 21,432
Total Current Assets	\$ 347,627
Property, Plant and Equipment	\$ 3,431,471
Noncurrent Assets	\$ 696,159
Total Assets	\$ 4,475,257
Liabilities	
Accounts Payable	\$ 682,723
Short Term Debt	\$
Other	\$ 301,649
Tot. Current Liabilities	\$ 984,372
Long Term Debt	\$ 1,737,707
Deferred Credits and Other Liabilities	\$ 15,053
Total Liabilities	\$ 2,737,132
Members Equity	
Memberships	\$ 5,680
Patronage Capital	\$ 1,657,993
Other Capital	\$ 74,452
Total Member Equity	\$ 1,738,125
Total Liab. & Equity	\$ 4,475,257

**Investor Owned Corporation Balance Sheet
(CenturyTel - 2004)**

Assets	
Cash and equivalents	\$ 167,215,000
Accounts Receivable	\$ 236,187,000
Materials, Supplies	\$ 5,361,000
Other	\$ 14,691,000
Total Current Assets	\$ 419,847,000
Property, Plant and Equipment	\$ 3,341,401,000
Goodwill and other Assets	\$ 4,035,705,000
Total Assets	\$ 7,796,953,000
Liabilities	
Accounts Payable	\$ 141,618,000
Short Term Debt	\$ 249,617,000
Other	\$ 300,383,000
Tot. Current Liabilities	\$ 691,618,000
Long Term Debt	\$ 2,762,019,000
Deferred Credits and Other Liabilities	\$ 933,551,000
Total Liabilities	\$ 4,387,188,000
Stockholders Equity	
Preferred Stock	\$ 7,975,000
Common Stock	\$ 132,374,000
Retained Earnings	\$ 3,055,545,000
Paid-in Capital	\$ 222,205,000
Other	\$ (8,334,000)
Total Stockholder Equity	\$ 3,409,765,000
Total Liab. & Equity	\$ 7,796,953,000



WISCONSIN STATE LEGISLATURE





My motivation as a general manager is not to produce a higher bottom line every year. It's to get services to our members and still stay afloat here.

— Rod Olson of the Vernon Telephone Cooperative

Phones for the people

Vernon Telephone Cooperative is a 'community service'

By **ED HOSKIN**
Of the Tribune staff

WESTBY, Wis. — The only bottom line at the Vernon Telephone Cooperative is ensuring its customers have the services they want at the price it costs to provide them.

Sound like a sales pitch? It's not an empty boast. This business doesn't operate to make a profit, and when it does, the profits get sent to the same addresses the bills go.



Rod Olson

The Westby-based, nonprofit telephone cooperative is one of just 11 telephone cooperatives in the state, and there are only several hundred of them in America, according to the National Telecommunications Cooperative Association.

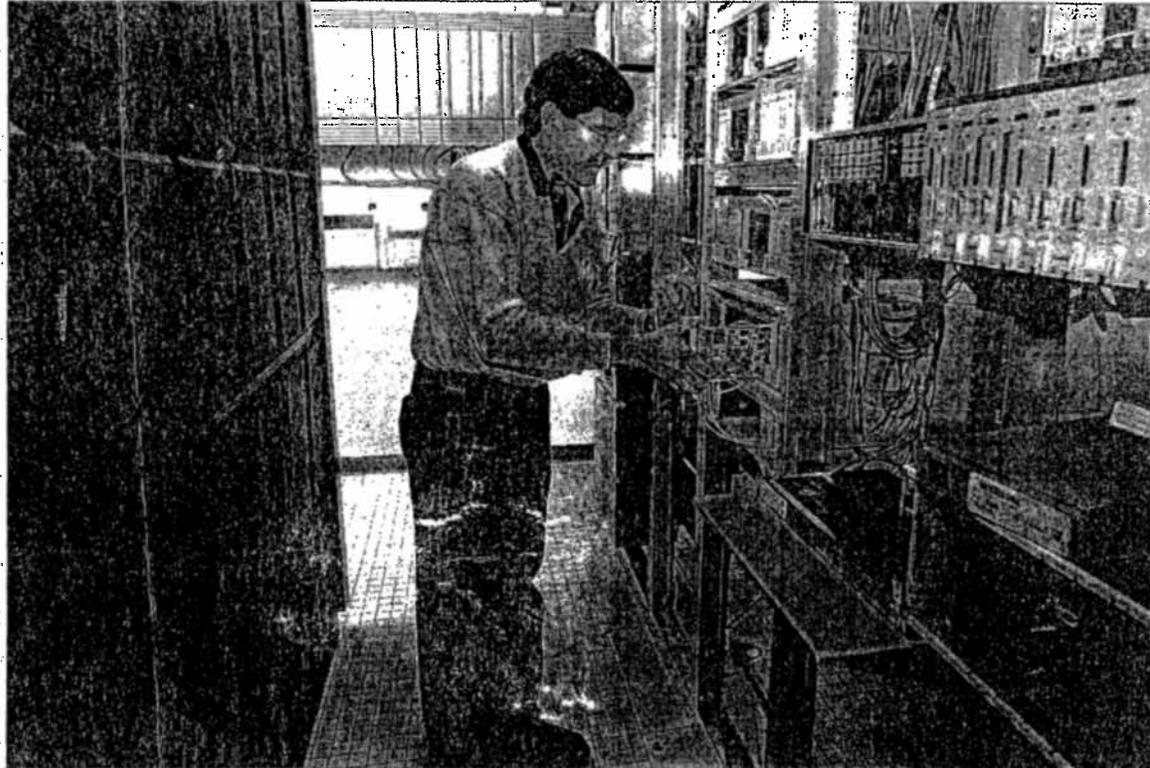
Owned by subscribers, or members as they are known in Vernon County, telephone cooperatives sprang up largely in rural areas where larger, private telephone companies didn't want to venture because it would take too many years to make a profit.

"That's why cooperatives are good, because people have a say in how the company is run," said Rod Olson, general manager of the Vernon Telephone Cooperative. "It's not dictated. We're driven by service and not profit."

The cooperative, which has about 6,500 members in eight Vernon County communities, recently gave back about \$350,000 to its subscribers, Olson said. The amount of an individual dividend is based on service usage.

"We're running in the black, but it wasn't always that way," Olson said. "Like any start-up, it takes a while to get going."

A movement began to form a telephone company in Vernon County in 1950 when a group of farmers held a meeting at Liberty Pole, according to the Vernon Telephone Cooperative's Web site. Until that time, communities like Westby, Liberty Pole, Genoa, La Farge and De Soto each had a single operator usually based in a general store. Substandard telephone wires were



Dick Rinker of the La Crosse Tribune

Technician Steve Lueck checks circuit boards at the Vernon Telephone Cooperative. The Westby-based, nonprofit telephone cooperative is one of just 11 telephone cooperatives in the state, and there are only several hundred of them in America, according to the National Telecommunications Cooperative Association.

often strung from fences, trees and buildings.

A federal loan was applied for, and during the loan approval waiting process, the Bad Axe Telephone Co. was created in 1951. In 1961, the company moved its offices from Viroqua to Westby, and it was renamed the Vernon Telephone Cooperative.

With 29 employees, the cooperative serves Westby, Genoa, De Soto, La Farge, Liberty Pole, Viola, Readstown and Yuba.

The telecommunications business rarely stands still for very long, and the Vernon County cooperative doesn't offer just telephone service. High-speed Internet service is available for all members, and digital television over the phone line recently became available, Olson said.

Telephone users pay an up-front connection fee, and there is a \$11 dollar monthly charge that hasn't changed since the early 1990s, Olson said. Local telephone calls are free, and there is a flat long-distance rate of 10 cents a minute, he said.

The chances of finding a better deal at larger, private companies is "pretty slim," Olson said.

Additionally, it is customers who elect the cooperative's board of directors, and in practice help control business decisions.

"It's a real sweet deal," Olson said. "If a member wants a service, we find a way of doing it without having to take a project through five layers of corporate bureaucracy."

"We're kind of emotionally tied to our members," he said. "My motivation as a general manager is not to produce a higher bottom line every year. It's to get services to our members and still stay afloat here."

"It's kind of like a community service," he said.

David Dregne of Westby gets his home telephone and Internet service from the Vernon Telephone Cooperative. The cooperative also serves his Westby business, Dregne. Scandinavian Gifts.

"The Vernon telephone company is a very progressive company going into the electronic world," Dregne said. "They are not just sitting around letting the world pass. I just switched my Internet system."

Getting a dividend because the cooperative made a profit that year pleases Dregne to no end.

"When it comes, it's a pleasant surprise," said Dregne, whose business recently received a check for about \$300 from the cooperative.

The independent telephone industry began in the 1890s, according to a NTCA article about rural telecommunications history. Early cooperatives or farmer mutual systems numbered about 6,000 by 1927, though many systems were deteriorating.

The 1930s saw the creation of the Federal Communications Commission and the 1934 Communications Act that made the concept of universal service the law of the land, according to the NTCA. But it wasn't until after World War II that long-term, low-interest loans were made available to rural telephone systems.

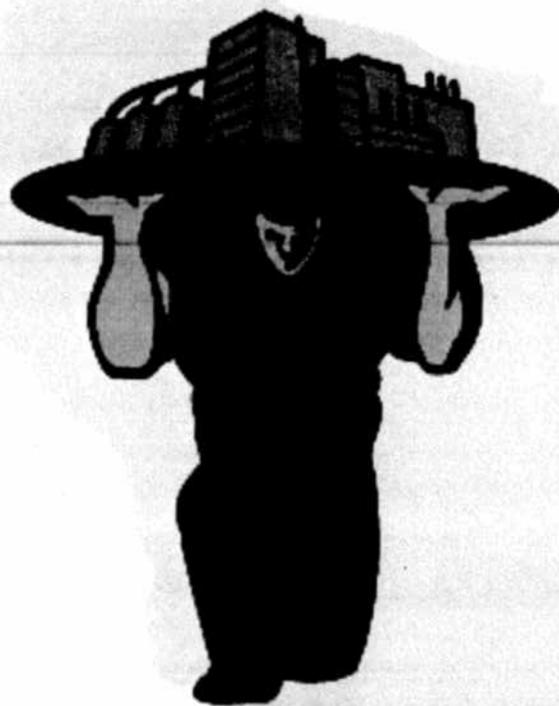
This availability sparked a new era of growth for rural telephony, which continues today, according to the NTCA.

The Cochrane Cooperative Telephone Company in Buffalo County is another area telephone cooperative.

Ed Hoskin can be reached at ehoskin@lacrossetribune.com or (608) 791-8228.



**REPRESENTATIVE
Scott Suder's
RURAL JOBZACT**



**WISCONSIN'S
OPEN FOR
Business**

For More Information call 1-888-534-0069

J.O.B.Z = Job Opportunity Business Zones

- Similar tax-free zone programs are currently operating in Michigan (Renaissance Zones), Pennsylvania (Keystone Opportunity Zones) and most recently Minnesota (Rural JOB Zones). Each of these states has had overwhelming success in attracting businesses, creating high paying jobs, and spurring billions of dollars in new capital investments in the tax-free zones.
- The Minnesota program alone has attracted **130 businesses** to the new zones representing the creation of nearly **2,500 high-paying jobs** and over **\$400 million in new capital investments in its FIRST year alone**. At least two Wisconsin based businesses have moved their operations to Minnesota to take advantage of the new program resulting in nearly 200 family supporting Wisconsin jobs lost.
 - ***Polaris Industries* = 105 jobs w/ an average hourly wage of \$23.80
 - ***Wausau Paper LLC* = 75 jobs w/ an average hourly wage of \$12.00
- Our Wisconsin Rural JOBZ Act will move our state forward in the business recruitment battle with other Midwestern states by providing refundable tax credits to businesses for: corporate franchise taxes; income taxes for operators or investors; capital gains taxes; sales taxes on goods and services used in the zone (if they are purchased from other businesses within the zone); and property taxes on improvement projects.

Why we need JOBZ in Wisconsin?

- To stimulate business investment and job creation in rural Wisconsin by providing refundable tax credits to companies that expand or relocate to one of the 10 Rural Job Opportunity Business Zones
- Our Rural JOBZ Bill will provide refundable income, franchise, capital gains, and sales tax credits to businesses for relocating to rural Wisconsin and in the process creating family-supporting jobs for residents of these communities
- Our Rural JOBZ bill will provide local communities with the valuable economic development tools they need to attract businesses and keep pace economically with more populated areas of the state like Milwaukee and Madison

Who is supporting the Rural JOBZ Act?

- Wisconsin Economic Development Association, Wisconsin Counties Association, Wisconsin Towns Association, WMC, Wisconsin Realtors Association, Wisconsin Builders Association, Wisconsin Housing Alliance, Community Bankers of Wisconsin

Minnesota's Tax Free Zones Program First Year Analysis

BUSINESS RECRUITMENT RESULTS

- **130** companies have relocated, started up, or expanded to the new zones in one year
- **60%** of these businesses represent the manufacturing and machining sector with an average hourly wage of **over \$10.00 per hour**
- **33%** of the businesses were classified as service or transportation sector companies with an average hourly wage of **over \$10.00 per hour**
- **41%** of the companies that took advantage of the new program were new business startups and relocations from outside of Minnesota
- **42%** of the initial tax-free zone participants in the first six months were local business expansions that were already located in one of the zones
- **2,500 new high-paying jobs were created along with more than \$400 million in new capital investments in its FIRST year alone**
- At least two Wisconsin based businesses have moved their operations to Minnesota to take advantage of the new program resulting in nearly **200 Wisconsin jobs lost**.

The Program is working

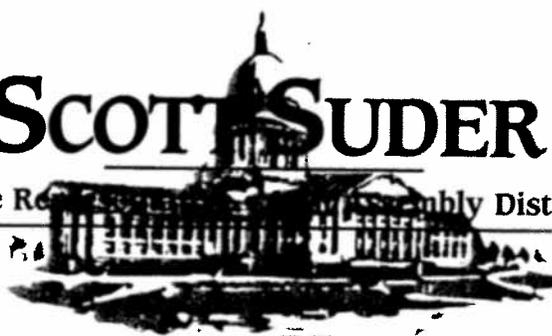
- **Nearly 75%** of the participating business zones reported receiving a steady flow of calls from interested businesses regarding the tax-free zone program
- **25%** of the rural communities in the zones had at least one business application in process within the first 6 months of the program's creation and nearly **10%** of these communities had multiple applications in the pipeline
- The program participants at the local level are taking this program seriously within six months of the program's initiation **nearly 60%** of the communities had held a public hearing on the matter and **73%** of them had already initiated their marketing strategies
- **The Minnesota Department of Revenue estimated the initial costs of the program in foregone taxes at the state level to amount to \$4.5 million in fiscal year 2004-2005. With new capital investments in the first year alone totaling over \$400 million, it is obvious that the benefits of the program have far exceeded its cost**

****Source:** *Job Opportunity Building Zones: A year one progress report* from the Center for Rural Policy and Development a private, not-for-profit policy research organization dedicated to benefiting Minnesota by providing policy makers with an unbiased evaluation of legislative issues from a rural perspective.

SCOTT SUDER

State Representative Assembly District

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69th Assembly District:
Telephone/fax: (715) 223-6964
Call toll-free: (888) 534-0069
Rep.Suder@legis.state.wi.us
www.legis.state.wi.us/assembly/asm69/news

March 23, 2005

The Honorable James Doyle
Governor
State of Wisconsin
115 East, State Capitol
Madison, WI 53702

Dear Governor Doyle:

I am writing to respectfully request your support of my Rural "JOBZ" Act, Assembly Bill 208, which would create refundable tax credits for businesses that relocate or expand to one of 10 Rural Job Opportunity Business Zones in underdeveloped areas throughout the state. As you may know this bill is being fast tracked in the State Assembly.

As I'm certain you are aware, Minnesota created a similar business incentive program last year that has attracted 130 new businesses, representing nearly 2,500 new jobs, and more than \$400 million in new capital investments in rural Minnesota in its first year alone. At least two Wisconsin businesses have moved their operations to Minnesota to take advantage of the new program resulting in nearly 200 family supporting Wisconsin jobs moving out of state. In fact, in last week's Eau Claire Leader-Telegram, a full-page ad targeting Chippewa Valley businesses appeared using the headline: 'Minnesota Wants You In Our Tax Free Zones!'

In the interests of business and job retention, I would very much like to work together with you in a bi-partisan manner on this proposal. I am confident that this initiative will help move Wisconsin forward in the business recruitment battle among other Midwestern states by rewarding businesses for making Wisconsin their home.

Once again, I am respectfully requesting your support of Assembly Bill 208 to protect Wisconsin communities from any further job losses and to help create a competitive edge for attracting new businesses to our state. I look forward to working with you and your office on this important job creation effort.

Sincerely,

Scott Suder
State Representative
Wisconsin's 69th Assembly District

Cc: Speaker John Gard
Majority Leader Dale Schultz

Assembly Committee Assignments:

Criminal Justice, Chairman • Rural Development, Vice Chairman • Corrections and the Courts
Transportation • Agriculture • Law Revision • Rural Economic Development Board

OUR VIEW

Valley needs fast action on JOBZ Act

State Rep. Scott Suder (R-Abbotsford) has done the Chippewa Valley a favor with some fast action on a growing economic development problem in the area. Now it's up to the legislature to follow suit.

Suder's Rural JOBZ Act is a response to a similar program in Minnesota that has cost western Wisconsin jobs.

Minnesota's program essentially lets companies off the hook on property taxes for a period of time in exchange for creating jobs in rural areas. It has generated over \$400 million in new capital investments and helped create nearly 2,500 jobs there.

And some of those jobs were on their way here, to western Wisconsin. Economic development leaders have complained that Minnesota's program is killing their efforts. Some projects scheduled for Wisconsin suddenly went west as a result.

Suder's bill, co-sponsored by State Sen. Dave Zien (R-Wheaton), is an attempt to duplicate that success here. It would establish 10 rural Job Opportunity Business Zones in underdeveloped areas. Companies relocating or expanding to these areas would earn state and local tax credits.

Finding some program to put on the table to compete with Minnesota's JOBZ program was a major issue discussed with legislators at the Chippewa Valley Rally in January. Suder's bill appears to fill that need.

The Assembly Rural Development Committee, of which Suder is vice chairman, just held a public hearing on the bill, which is on the Assembly leadership's 100-day agenda.

We urge the legislature to keep this one on the fast track, before Minnesota gains more jobs at western Wisconsin's expense.

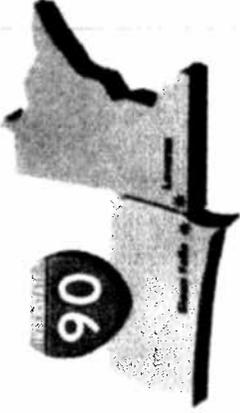
Source: The Chippewa Herald 3-17-05

Considering Business Expansion or Relocation? LIVERNE, MINNESOTA WANTS YOU IN OUR

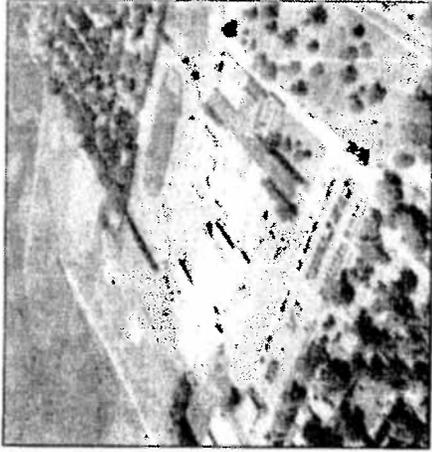
TAX FREE ZONE!

What 'Tax Free Zones' are:

- NO property tax on commercial & industrial improvements
- NO sales tax on goods & services used in the zone
- NO income tax for operators or investors
- NO corporate franchise tax
- NO wind energy production tax
- YES employment tax credit for high paying jobs



Liverne A Community that Businesses
and Residents
are proud to call home.

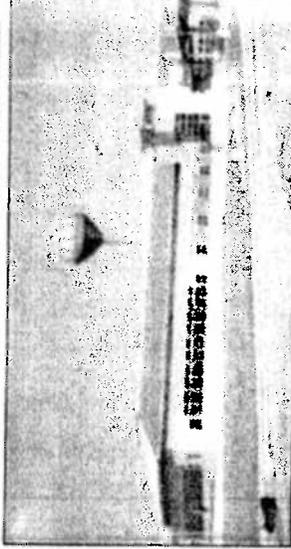


Additional Business Incentives Available

- Fully Improved Business & Industrial Park Land at Low Cost
- Technology Grants & Loans
- Revolving Loan Funds
- Tax Increment Financing
- Employee Recruitment/Training Assistance
- Municipally Owned Electric Utility - Low Rates

Related Community Assets

- Excellent Transportation Access
 - Immediate Access to I-90 & US Hwy 75
 - Immediate Access to Rail Service
 - Municipal Airport
- Exceptional Medical Facilities
 - New Hospital (opens 2008)
 - Affiliate of Stour Valley Health Systems
- Outstanding Local Education System
 - 80 Acre Single Site K-12 Campus
 - Consistently Top-Rated Education
- City Sponsored Residential Development
 - Fully Improved Residential Lots from \$12,000
- Community Owned & Operated Pool & Fitness Center
- Exceptional Local Parks System
 - Beautiful City Park
 - 26 Neighborhood Pocket Parks
 - Blue Mounds State Park
 - exceptional camping & hiking
- Law Enforcement/Community Safety
 - Very low crime rate
 - County-wide law enforcement

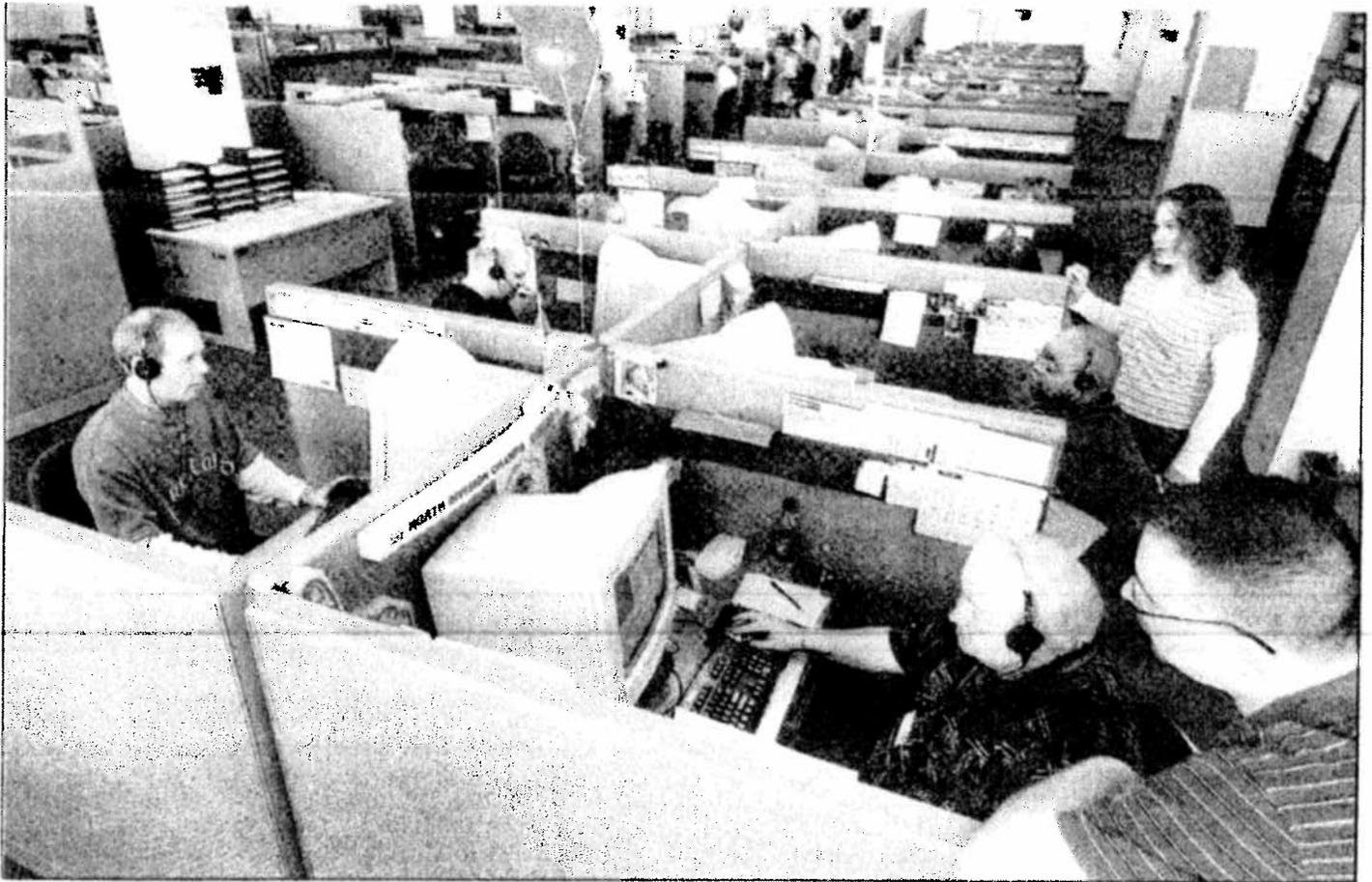


For Further Information:

Contact Jill Wolf, Economic Development Director or visit www.cityofliverne.org
1-877-855-6118

LIVERNE... Where Government, Businesses, Schools, & Residents Work Together for Community Good

Source: Full Page Ad appeared in Eau Claire Leader-Telegram 3-19-11



Staff photo by Dan Reiland

Harmon Solutions' call center at 404 S. Barstow St. employs about 160 workers and may grow to 250. Company officials chose Eau Claire as a site last summer after being enticed by incentives. Legislators hope to pass a law that would offer more lucrative incentives to businesses moving to rural Wisconsin.

State looking for JOBZ

Legislators push business incentives plan

By Michael Klein
Leader-Telegram staff

Last summer Wisconsin was making a bid to land a 160-employee call center for Harmon Solutions. But the state's incentive package wasn't as lucrative as some offers from other states, particularly Texas, President Paul Gross said.

Harmon eventually put the center in Eau Claire because of the strong work ethic and the neutral Midwestern accents of the local workforce, as well as the hard work of local economic developers, Gross said.

Still, Gross thinks bigger incentive pack-

ages would help draw more businesses to Wisconsin.

"I think it's a big part of the decision-making process," Gross said. "I think today there's just so much benefit from the tax dollars that are generated" by new businesses.

Two western Wisconsin state legislators have proposed a more lucrative incentive program to draw businesses to the state's rural areas, particularly northern Wisconsin.

The proposed "Rural JOBZ Act" is patterned after Minnesota's JOBZ, which already has attracted some jobs from

Wisconsin, said state Rep. Scott Suder, R-Abbotsford, who co-sponsored the bill with state Sen. Dave Zien, R-Eau Claire.

Qualifying businesses that expand in or move to one of the 10 zones in rural Wisconsin would get refundable tax credits for corporate franchise taxes, property taxes, capital gains taxes and sales taxes. Their owners or operators even could claim refunds on income taxes.

The proposal comes as the war for jobs has heated up between the states.

Eau Claire-based Menards recently decided to move an expanded fixtures plant to Belgrade, Minn., and legislators

See **JOBZ**, Page 2A

Source: Eau Claire Leader-Telegram 3-20-06

JOBZ/LaFond trying to lure jobs to Minnesota

By Michael Klein

LaFond, Minnesota's job czar, is trying to lure jobs to Minnesota.

In 1991, the partnership of Minnesota's community development corporations last week in the leader-telegram in an attempt to lure jobs to Minnesota from the Minneapolis Valley.

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Jobs were considered for last year in Wisconsin but were to Minnesota because of JOBZ credits.

"It's pretty common sense," Sude said. "They're taking our jobs, hiring jobs from Wisconsin and other states, and we need to be competitive."

But drafting a similar program for Wisconsin was difficult because of the uniformity clause in the state's constitution prevents allowing exemptions of property taxes.

The proposed Wisconsin JOBZ program would create 10 rural job opportunity business zones, targeting underdeveloped areas of the state, with some areas getting first crack. The zone can't include cities with populations greater than 200,000, which excludes only Madison and Milwaukee.

The zones haven't been determined, but the program encourages municipalities to cooperate as they apply to be included in zones. Local municipalities can provide their own incentives in combination with state incentives, Sude said.

The benefits for qualifying businesses would include:

- Credits for sales taxes on goods and services purchased and used within the zone.

- Credits for property taxes on improvement projects in the zone.

- Tax credits for capital gains derived from the sale of property and a payment used by a business in the zone.

- Income tax credits for business owners and operators for investments from operating the business.

- Tax credits based on employee pay and training in the zone.

- Property tax incentives for new business employment by 10 per

cent in the first year, Sude said. As in Minnesota, the businesses could qualify for the benefits for 12 years.

"What we don't want to happen is have businesses move from one part of the state to another," Sude said. "That's not allowed in the bill. We're not going to pit southern Wisconsin against northern Wisconsin."

The cost of the bill is unknown, Sude said, although tax credits may have to be capped at some point.

"I think we have to keep a close watch on it because we don't want to break the budget in terms of the budget," he said.

However, the bill is estimated to bring in between \$80 million and \$100 million in new capital investments, he said.

"If we do achieve what Minnesota achieved in the first year, I think it will be a tremendous success by bringing those jobs here," Sude said. "In the long run it will make sure our economy remains strong."

Sude said he hopes to get quick action on the bill, which was heard by the Rural Affairs Committee last week and is set to hit the floor of the Legislature shortly.

"I don't think Wisconsin has any other choice but to pass this program to remain competitive," Sude said.

Zien also said it's an urgent matter, as many employers are getting the notion that Wisconsin is not a good place for doing business. Companies such as Menards, Ashley and Ace Hardware are clashing with regulators, he said.

"We have to do anything and everything possible to attract jobs and all employers," he said. "It's almost to the point of the situation. Economic development in Wisconsin has not been

aggressive on incentives in the past, and this bill will change that," economic developers and business people agree.

The success of the bill is a key part of persuading LaFond to be here, even though the offer wasn't as lucrative as those from other states.

"Without incentives we would have been hard pressed to attract my existence in Eau Claire," he said.

LaFond, Minnesota's job czar, is trying to lure jobs to Minnesota from the Minneapolis Valley.

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attempts to lure jobs to Minnesota from the Minneapolis Valley.

"Businesses are there to make money and they want to take advantage of various programs if they can."

"We're aggressive, yes, and we

don't have to continue to be aggressive," he said. "I don't think anyone in our city government is interested in sitting back and waiting for people to see you."

Klein can be reached at 815-976-6100. E-mail: michael.klein@leader.com

Source: Eau Claire Leader-Telegram 3-20-05

Zone wars

Minnesota program offering 12 tax-free years takes jobs from Wisconsin, developers say

By Michael Klein
Leader-Telegram Staff

The JOBZ program is Minnesota's royal flush in the economic development game, trumping incentives offered by neighboring states such as Wisconsin, according to economic developers.

Western Wisconsin has lost several economic expansions to Minnesota since the program started Jan. 1, 2004, said Bob Bossany, executive director of Dunn County Economic Development Corp.

"These were projects that were looking at sites in western Wisconsin, where in fact we had a high probability of securing those projects, but we couldn't put enough incentives on the table to compete with the incentives the JOBZ program gave them."

Bossany said. "We've been told by site selectors that those companies are having a hard time walking away from JOBZ."

In particular, a Polaris expansion creating 300 jobs and an Andersen Windows expansion creating 153 jobs were considered for west-central Wisconsin but went to Minnesota for JOBZ credits, according to several sources.

JOBZ, which stands for Job Opportunity Building Zones, offers exemptions from most state and local business taxes for 12 years. JOBZ

zones cover all of Minnesota except the Twin Cities metropolitan area, with the intent of drawing businesses to depressed rural areas.

Bossany said economic developers have been lobbying legislators to see how Wisconsin can respond to the challenge, perhaps through an expansion of the technology zone tax credit. Qualifying businesses locating in one of Wisconsin's technology zones — the I-94 zone includes Chippewa, Dunn, Eau Claire, Pierce, Polk and St. Croix counties — can get a corporate tax abatement for up to five years of up to \$250,000.

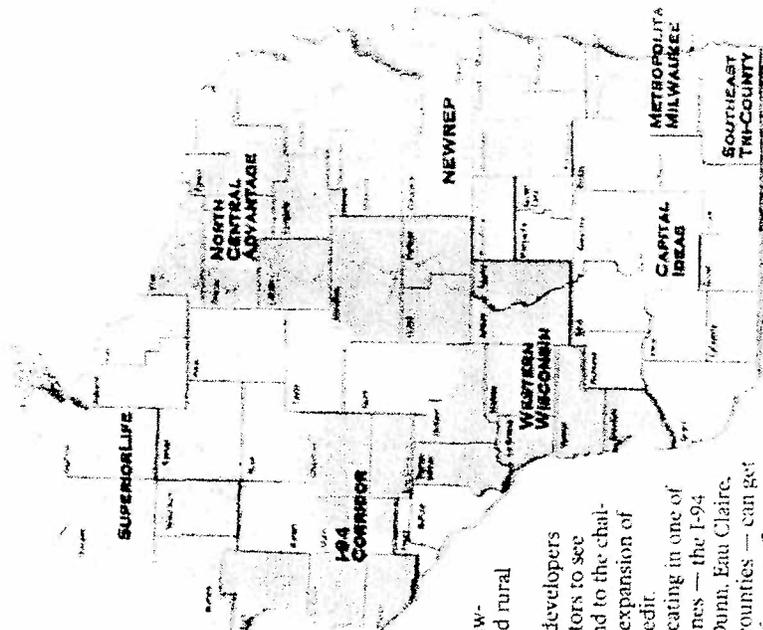
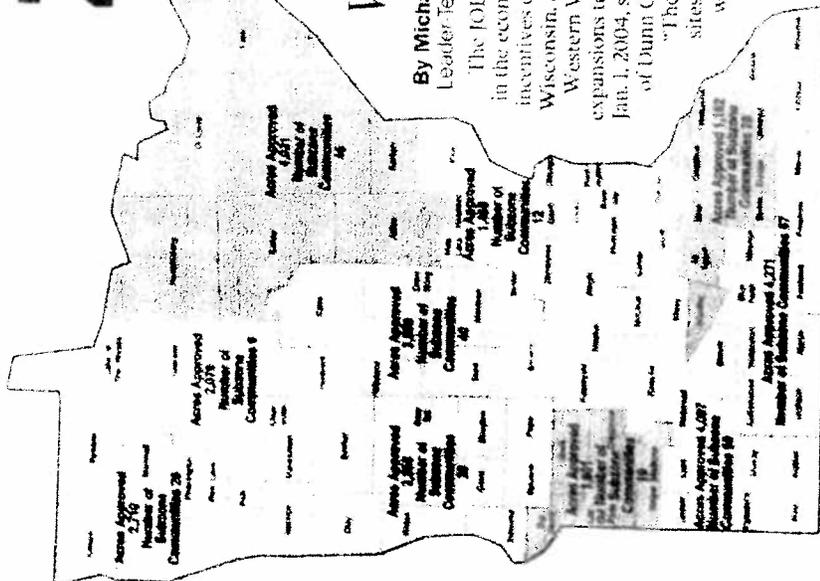
The I-94 zone has given \$2.23 million in tax credits to 11 projects, which is more projects and credits than any of the other seven zones, according to state records. But none of those have been new companies moving into the area.

"I think it's been fairly successful — it's a good opportunity for companies to expand their operations," said Jerry Chasteen, director of the West Central Wisconsin Regional Planning Commission, which administers the zone.

But Minnesota's JOBZ has had an effect, Chasteen admitted.

"There's the ability to dangle that out in front of companies, and we don't have that here," he said.

See JOBZ, Page 3D



Technology Zones

Details: Eight zones each offering a total of \$5 million in income tax credits to high-technology businesses that expand or locate in the zone.

Benefits: Each business can receive corporate income tax abatements of up to a total of \$250,000, for up to five years.

Number of tax credit agreements signed since start in 2003: 49.

Retained Jobs: 8,281.

New Jobs: 1,632.

Capital Investment: \$264.7 million.
Amount awarded: \$10 million.

JOBZ

Details: Ten zones outside the Twin Cities metropolitan area offer tax exemptions to growing or relocating businesses.

Benefits: Qualifying businesses are exempted from paying most state and local business taxes for 12 years.

Number of business subsidy agreements signed since start on Jan. 1, 2004: 132.

Retained jobs: 2,786.

New jobs: 1,995.

Average hourly wage: \$11.52.

Capital investment: \$157 million.

Source: The Eau Claire Leader-Telegram 3-6-06



Wisconsin Builders Association

Dedicated to Preserving and Promoting the American Dream

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Kiel

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Green Bay

Jim Klappa
Milwaukee

Gary Verhasselt
Osceola

Gary Roehrig



March 16, 2005

Representative Scott Suder
21 North, State Capitol
Madison WI 53703

Dear Representative Suder,

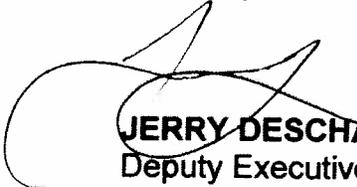
We are writing you today to offer our support for Assembly Bill 208 (AB 208). AB 208 will create rural enterprise development zones and providing tax incentives to qualified businesses in the zones, create refundable individual income tax credits for income and capital gains derived from the zones and help spur economic development in rural areas of our state.

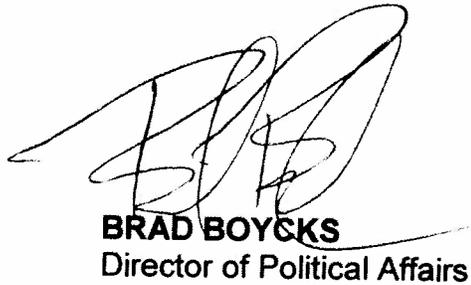
A similar bill was highly successful in the creation of 2000 new high paying jobs in rural areas of Minnesota.

We would like to offer our help in passing this important piece of legislation this session.

Please let us know if we can help you in your efforts this spring to pass AB 208.

Sincerely,


JERRY DESCHANE
Deputy Executive Vice-President


BRAD BOYCKS
Director of Political Affairs

CC: Senator David Zien

4868 High Crossing Boulevard • Madison, Wisconsin 53704-7403
(608) 242-5151 • (800) 362-9066 • Fax (608) 242-5150
www.wisbuild.org



March 16, 2005

Ross Kinzler
Executive Director

Amy Bliss
Assistant Executive Director

Luke Rollins
Director of Government Affairs

Julie Patten
Director of Member Services

Assembly Committee on Rural Development:

The Wisconsin Housing Alliance urges your support for Assembly Bill 208.

The economic incentives available in the Rural Enterprise Zone Act would help the Wisconsin Housing Alliance to recruit factory-built housing manufacturing facilities and help encourage business expansion in Wisconsin.

The Wisconsin Housing Alliance represents over 450 businesses that include all aspects to the factory-built housing (modular and manufactured homes) industry. Wisconsin serves as the home for 12 manufactures and almost 200 retailers of factory-built homes. And the Alliance works hard to expand this important manufacturing base.

Central Wisconsin has a strong and skilled workforce for factory-built housing and the Alliance actively recruits and encourages manufactures to consider expansions and relocations to Wisconsin. As well, the significant size of the factory-built housing facilities often require a rural location. For example, many factories cluster in the Clark, Marathon, Wood and Portage county region.

The Rural Enterprise Zone Act would provide a helpful economic development tool for Wisconsin and would be an important tool in the Alliance's work to bring more factory-built housing jobs to Wisconsin.

Again, we urge your support for Assembly Bill 208.

Best regards,

Luke D. Rollins

Director of Government Affairs
Wisconsin Housing Alliance



Representing Wisconsin's
Genuine Community Banks

March 24, 2005

Representative Scott Suder
PO Box 8953
Madison, WI 53708

Dear Senator Suder:

On behalf of the Community Bankers of Wisconsin (CBW) and our 215 member banks I would like to register our support for the Rural JOBZ Act (Assembly Bill 208). Thank you for your leadership in advancing this important legislation.

CBW members are community banks many of which are located in rural Wisconsin communities. Community banks are a vital and sometimes only source of capital for local small business investment. The Rural JOBZ Act will help stimulate economic activity and job creation in rural communities. These communities are a vital component to our states economy and to the families that live and work in these areas.

Thank you again for your leadership on this important issue.

Sincerely,

A handwritten signature in cursive script that reads 'Daryll J. Lund'.

Daryll J. Lund, CAE
President & CEO

**OFFICE OF
CHIPPEWA COUNTY ADMINISTRATIVE
COORDINATOR**

Michael J. Murphy

Administrative Coordinator/
County Board Chair

711 N. Bridge St., Rm. 304
Chippewa Falls, WI 54729

Phone: (715) 726-7977
Fax: (715) 726-4599

Connie J. Fisher

Administrative Assistant/ Risk Manager

Phone: (715) 726-7984
Fax: (715) 726-4599

March 11, 2005

Assemblyman Scott Ruder
State Representative—69th Assembly District
Room 21 North State Capitol
P.O. Box 8953
Madison, WI 53708-0280

Re: Rural JOBZ Act – LRB 1297

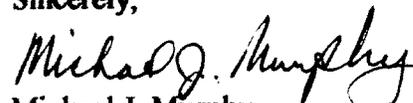
Dear Assemblyman Suder:

I am writing this letter of support of the Rural JOBZ Act on behalf of the Chippewa County Board and in the interest of promoting creation of jobs and economic development in the rural areas of Wisconsin. Neither I nor anyone from Chippewa County will be able to attend the public hearing on this bill being conducted by the Assembly Rural Development Committee so please provide this letter to the Committee for their consideration.

The Rural JOBZ Act that you and Senator Dave Zien are currently sponsoring is just the type of legislation that this part of Wisconsin needs as we compete with Minnesota to create jobs and keep jobs from moving west across the border. Chippewa County wholeheartedly supports your efforts to promote economic development through tax credits to businesses that expand or relocate in one of the 10 rural JOBZ zones.

Chippewa County is very active in promoting economic growth through job creation and your bill will provide another incentive to businesses to come to Chippewa County. As you know, the Minnesota rural business incentives have already cost Wisconsin jobs as businesses saw a more business friendly atmosphere to the west. Thank you to you and Dave Zien for all of your efforts and support for rural Wisconsin.

Sincerely,


Michael J. Murphy
Chippewa County Board Chair

Marshfield Area
Chamber of Commerce & Industry
P.O. Box 868
100 S. Central Avenue
Marshfield, WI 54449



Barbara Fleisner
Executive Director
715/384-3454
FAX 715/387-8925
E-mail: macci-br@wc
Web
www.marshfieldchamber

May 2, 2005

Representative Scott Suder
102 S. Fourth Avenue
Abbotsford, WI 54405

Dear Representative Suder:

On behalf of the Marshfield Area Chamber of Commerce & Industry, I wish to express our support for your proposal bill called the "Rural Jobz Act". As you know we had expressed an earlier concern that there needed to be a safe guard put into place that would discourage businesses to relocate from one part of our state to another, but you have adequately addressed this issue.

We applaud your efforts through this proposed legislation that would be another tool to attract new businesses looking to relocate or expand to rural Wisconsin, and more importantly provide incentives for those that are already here, planning to expand their operation in our areas of the state.

Thank you again for your continued support of business and industry in rural Wisconsin.

Respectfully,

Barb Fleisner

Barb Fleisner
Executive Director



815 W Maple • Street Stanley, WI 54768

Phone: 715-644-2909 • Fax: 715-644-2707

April 18, 2005

The Honorable Representative Scott Suder
Room 21 North, Capitol Building
P.O. Box 8953
Madison WI 53708-8953

Dear Representative Suder:

As the Board Chairman of Ace Ethanol and Innovative Biorefining Technologies Companies at Stanley Wisconsin we wish to commend you and acknowledge your support of AB 208.

All too often rural communities have been passed over and denied incentive programs that were directed to urban areas. This is patently unfair and your proposed bill would go a long way to even the economic development playing field between urban and rural areas.

Congratulation goes to you for your innovative insight to help bring economic growth to rural Wisconsin.

Sincerely,

Bob Sather, Board Chairman,
Ace Ethanol and
Innovative Biorefining, Technologies

Minnesota JOBZ Incentive Program Assistance for Wisconsin Border Counties

BACKGROUND

In early 2004, the state of Minnesota established the Job Opportunity Building Zone (JOBZ) incentive program to stimulate economic development opportunities in rural Minnesota. JOBZ incentives include many state and local tax exemptions to qualifying businesses.

Ten JOBZ zones, encompassing over 29,000 acres in 325 subzone communities, have been created in Minnesota. Each zone has a maximum duration of 12 years, beginning January 1, 2004.

Qualifying businesses that start-up, expand, or relocate within a JOBZ zone are eligible for the following exemptions: corporate franchise tax; income tax for operators or investors (including capital gains tax); sales tax; property tax (excluding land); wind energy production tax; and employment tax credit for high paying jobs.

The seven county Minneapolis~St. Paul metropolitan area is exempted from the JOBZ program.

THE ISSUE

For many years, St. Croix County, Wisconsin has been a viable location for Minnesota companies seeking an expansion or relocation site. This is due to many factors, including St. Croix's close proximity to the Minneapolis~St. Paul metro area.

Due to the JOBZ incentives, fewer and fewer companies are considering expansion opportunities in St. Croix County.

REQUEST

St. Croix EDC respectfully requests the creation of an incentive program to allow border counties to effectively compete against Minnesota's JOBZ incentives. Greater flexibility of existing programs is also requested.

Potential elements include: (1) more flexible use of existing state tax credit programs; (2) introduction of state employment tax credits for scientific and technology-based jobs; and (3) creation of 'border development zones' which offer certain tax credits to Minnesota businesses expanding or relocating to counties like St. Croix.

ABOUT SCEDC

St. Croix Economic Development Corporation (SCEDC) was launched in 1993 as the independent economic development arm of St. Croix County. As an IRS 501(c)(6) not-for-profit organization, SCEDC operates as a 'business league' comprised of a diverse set of members that work to improve the area's business climate. SCEDC's membership consists of public sector supporters (i.e. the county, cities, villages, and towns) and private sector supporters (banks, utility companies, general contractors, service companies, and manufacturers, etc.). Reflective activities of SCEDC include business retention, business expansion, business recruitment, and new business incorporations.