

Legislators on both sides make job creations a top priority

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With the 2010 elections looming and unemployment showing no signs of easing, there's one thing politicians of all stripes agree on: Voters want action on the jobs front.

Whether they can deliver, however, is a different question indeed.

"These issues are not partisan issues," says state Rep. Pat Strachota, a third-term Republican from West Bend who's backing a sweeping package of tax credits, incentives and educational grants designed to spark the private sector.

By now the job loss numbers have been well-publicized. Since December 2007, the state has shed 176,700 jobs or 6.1 percent of its total work force. That's more jobs lost than were created during the entire last decade.

Wisconsin's unemployment rate of 8.7 percent, while slightly lower than the national average, remains nearly twice its pre-recession level. Given recent trends, experts say unemployment will continue to rise in the months to come even as the economy starts to grow again.

Still, Wisconsin has been winning a few battles on the jobs front - despite the shuttering last year of the General Motors plant in Janesville and the Chrysler auto plant in Kenosha.

For example, Mercury Marine decided to keep 850 jobs and move several hundred more to Fond du Lac. Republic Airways, the parent company of Midwest Airlines, will save 800 jobs in Oak Creek and plans to move 800 more to Wisconsin this year. Uline Inc. of Waukegan, Ill., will move across the border to a new headquarters in Pleasant Prairie in 2010, bringing 1,000 jobs.

And at least eight biotech companies are moving to Wisconsin from Minnesota and other states, in part, to take advantage of tax credits and other incentives offered here.

To keep the momentum going, a bipartisan group of legislators, along with Gov. Doyle, is touting the CORE Jobs Act (CORE stands for Connecting Opportunity, Research and Entrepreneurship).

Among other things, it boosts the Act 255 tax credits for investment in early-stage companies. Established in 2005 to help Wisconsin close a gap with other states in attracting venture capital, Act 255 created two tax credit programs: one for early-stage seed investments through a venture capital fund and one for individual "angel" investments. Both programs are administered by the Department of Commerce. The CORE Jobs Act also seeks to establish tech centers at smaller UW System campuses and help entrepreneurs across the state.

"This isn't about bringing established businesses in," says Strachota. "It's more about growing our own and that is what we need to focus on."

The measure has already cleared the Senate and is now headed to the Assembly where it faces some opposition. Rep. Mike Huebsch, R-West Salem, lashed out against the bill recently, saying Democrats have cooked up a proposal that is "too little, too late."

"On the whole, the proposals demonstrate a faith in government over entrepreneurs to create jobs," Huebsch wrote on his blog in early December. "With a few exceptions, the bill will do little for the more than 230,000 Wisconsinites looking for a job."

Huebsch is right that the bill won't do much in the short term to ease unemployment. But supporters of CORE point to Wisconsin's success in leveraging millions in private sector investment via Act 255 and say those credits offer long-term promise for creating thousands of new jobs.

"It's really had a dramatic effect on a client's ability to raise money," says local business attorney Joe Boucher, who serves on Madison's Economic Development Committee.

Among start-up companies taking advantage of Act 255 is Sologear LLC, whose best-known product is the FlameDisk, a disposable charcoal replacement for outdoor grilling. The Middleton-based firm, which received a \$420,000 infusion of capital in September 2009, now has 10 full-time employees along with a seasonal manufacturing staff.

The tax credit program "was critical for attracting investment capital," company founder Chad Sorenson told a gathering of the Wisconsin Technology Council last week.

In fact, investors were eager to gobble up the tax credits while the economy was booming. But that activity has slowed of late. Last year, the state made available \$11.5 million in total tax credits through Act 255 but only attracted \$4.4 million in outside investment.

James Buchen, director of government relations for Wisconsin Manufacturers & Commerce, says there is nothing wrong with offering tax credits to attract capital. WMC is not opposing the CORE Jobs Act.

At the same time, Buchen says the Legislature still sent the wrong message to business by raising taxes \$300 million in the last budget. He says the Wisconsin business climate remains the problem - not a lack of state programs designed to help.

"These programs all come with strings attached," he says. "Why should somebody in Madison decide to pick the winners and losers? We'd rather just let it happen."

Sen. Julie Lassa, D-Stevens Point, has heard these arguments before but says the state should continue to expand its economic development efforts.

Lassa says the new estimate from the state already showing a \$200 million hole in the 2009-2011 budget due to falling tax collections is no reason to back away from offering incentives to the private sector.

"The state's fiscal problems can only really be solved by helping Wisconsin's economy rebound," she says. "The programs in CORE are targeted to stimulate private investment and enhance research and development, both of which will position Wisconsin for a faster recovery in the short run and a healthier, more diverse economy in the future."

In addition to the tax credits, CORE boosts research and development efforts throughout the entire University of Wisconsin System. The proposal calls for establishing an Emerging Technology Center at UW-La Crosse. It also seeks to support the business-research partnerships through the WiSys Technology Foundation, the technology capitalization program for campuses outside of Madison and Milwaukee.

"We'd like to translate that kind of success to the smaller campuses," says Maliyakal E. John, managing director for the WiSys Technology Foundation.

John notes there are dozens of talented faculty members statewide whose expertise in certain areas can be combined with investors or entrepreneurs looking to start a business. "This is something we can offer at no cost since the facilities are already there," he says.

But economists warn there is only so much government can do to lift short-term employment. The federal stimulus dollars that flowed into the state last year were used mainly to prevent the layoffs of teachers, police officers and thousands of other public employees.

The challenge now is convincing the private sector to rehire, reinvest and retool for the recovery, says chief state economist John Koskinen.

"Right now, most businesses are still very afraid," he says. "The fear from the financial crisis is so severe, people remain afraid to hire."

In fact, the latest Economic Outlook from the state Department of Revenue predicts the job market won't show much improvement until 2011 or 2012.

For politicians under the gun to do something now, that may not come soon enough to avoid the wrath of the electorate this fall.