

## WISCIN2035

A VISION FOR WISCONSIN'S ECONOMIC FUTURE



## WISCONSIN'S ECONOMIC FUTURE

#### **AUTHOR'S NOTE**

In 2014, WMC Foundation launched what it deemed the "Future Wisconsin Project." This was meant to be a long-term strategic plan for Wisconsin aimed at creating sustained economic growth by tackling challenges that would outlast two-year legislative cycles and regular elections.

Under the leadership of Dan Ariens, CEO of Ariens Company in Brillion, WMC Foundation charted a path to bring together the top leaders in business, academia and government. This coalition was charged with identifying Wisconsin's most pressing economic challenges and proposing potential solutions.

In the eight years of the Project, one topic continued to percolate to the top. No matter if the conversation was about taxes and education or housing and broadband, the true challenge being discussed was how to grow a workforce that can fit the needs of Wisconsin's economy.

To tackle this issue, the Future Wisconsin Project worked to identify why the state faces a workforce shortage; understand how Wisconsin contends with both a "skills gap" and a "people gap;" and pursued potential solutions to grow the working age population.

This led to a coordinated effort to launch a talent attraction campaign targeted at University of Wisconsin alumni and military veterans. It sparked a year-long conversation about the challenges facing rural Wisconsin — including the differences and similarities with other parts of the state. And it made members of the Future



Wisconsin Steering Committee realize that the business community needed to lead on the issue.

After all, if the business community does not lead on this, then who will?

Fast forward to December 2020, WMC Foundation announced a new initiative: Wisconsin 2035.

While the Future Wisconsin Project succeeded in driving forward needed conversations, a formal plan was missing. Through a 15-year lens, WMC Foundation would outline how to overcome the state's biggest challenges, and it would start with the people who know the economy best: Wisconsin's business leaders.

Over the first half of 2021, WMC Foundation met with and interviewed more than 80 leaders from manufacturing, construction, agriculture, retail, hospitality, healthcare, energy, finance, education, government and more.

These conversations reinforced the state's biggest problem is — and will continue to be — workforce. While not surprising, the level of concern was higher than ever before. Wisconsin's business leaders proposed a number of ways to attract and retain workers, along with forward-looking ideas to make Wisconsin more competitive — and more attractive.

Following these in-depth interviews, WMC Foundation identified key themes, explored proposed solutions, compiled additional data and researched best practices from around the country. The result is a vision for Wisconsin's economic future.



#### **EXECUTIVE SUMMARY**

**Wisconsin 2035** is an economic blueprint for the state to be successful. The state is likely to change in many ways over 15 years. To ensure sustained economic growth, Wisconsin cannot sit back and watch as other states pass it by. The Badger State must take bold action to erase the stigma of being the best-kept secret in the Midwest, and it must once again become a leader on reform.

This report will outline concerns from Wisconsin's business community, detail challenges and propose potential solutions for long-term economic growth.

No matter the industry or geographic location, the top issue for businesses right now and long into the future is workforce. To grow the economy, Wisconsin must grow its workforce. This must be tackled in three ways: attraction, retention and expansion.

Based on the latest data, Wisconsin is not growing its population fast enough to keep up with a growing economy.

As the state's population ages, talent attraction must be a focus. That means bringing people in from other states and other countries. Retention is necessary, as well. Wisconsin's cities and towns are full of opportunities for young people, but the state's leaders must do a better job of making them aware of these prospects. Lastly, even though Wisconsin has been a leader on labor participation rates, there are far too many people on the sidelines.

This report will outline how to attract, retain and expand Wisconsin's talent pool through things like sustained funding for a talent attraction campaign, connecting businesses with local schools and breaking down barriers to entry for more people to enter the workforce.

**Wisconsin 2035** will also detail plans to make Wisconsin more attractive through bold tax and education reforms.

Research shows that people follow opportunity, but high taxes can serve as a deterrent. As other states take action, Wisconsin cannot rest on its laurels. A bold tax reform plan will help drive the state's economy forward.

Additionally, K-12 education should refocus efforts to ensure Wisconsin's youth are college OR career ready through targeted investments in career counselors, expansions of STEM and technical education, and offering more options to students.

Wisconsin cannot afford to wait. Students who enter kindergarten next fall will graduate from high school in 2035. These young children should graduate into a state that is ready to help them achieve their dreams. **Wisconsin 2035** is the roadmap to get us there.

## PUBLIC POLICY CHALLENGES & SOLUTIONS

#### **WORKFORCE**

"People are our strength," said one Wisconsin executive in an interview for **Wisconsin 2035**. However, there are not enough, the executive followed up. This is a consistent theme amongst more than 80 Wisconsin leaders who were interviewed for this report.

No matter the question, the biggest underlying theme over months of interviews was "workforce, workforce, workforce."

Business leaders were quick to bring up other challenges facing the state including access to broadband, uncertainty created by government and navigating a global pandemic. But, even among a tumultuous year, the conversation almost always seemed to move back to growing and keeping a talented workforce.

This sentiment matches the most recent *Wisconsin Employer Survey* conducted by Wisconsin Manufacturers & Commerce — the combined state chamber and manufacturers' association — and an affiliate of WMC Foundation.

In the *Summer 2021* survey of 266 businesses that make up a representative sample of its membership, WMC found that nearly nine in 10 businesses — 86 percent — were struggling to hire workers. In the same survey, 72 percent of employers listed the labor shortage as the top public policy issue facing Wisconsin.

This is not a new issue. WMC Foundation, through its Future Wisconsin Project, has been highlighting the workforce issue

since 2014. At first, it was noted as a "workforce paradox." Unemployment was still relatively high coming out of the recession, but businesses were struggling to hire.

Nationally, the definition expanded to the well known "skills gap." There were enough people to fill available jobs. However, they did not have the right skills for the positions that were open. Manufacturers, construction firms and others started or vastly expanded new employee training programs to allow them to hire people without the necessary experience.

This helped, but the problem continued to worsen. In the interviews earlier this year, business leaders explained that the "people gap" now surpasses the skills gap. In many cases, there are literally more jobs available than people looking for work. Even if everyone has the right skills, there would still be a worker shortage.

To put a fine point on the issue, in December 2021, the Job Center of Wisconsin listed roughly 130,000 jobs available on its website. However, fewer than 50,000 people were actively looking for jobs.<sup>2</sup> Wisconsin's demographics don't paint a good picture for the future either.

According to the 2020 U.S. Census, Wisconsin's population is growing slower than the national average, birth rates are declining and the state's population is not getting any younger.

#### Are you having trouble hiring employees?

**YES 86%** 

14%

Source: WMC Employer Survey, June 2021



From 2010 to 2020, Wisconsin grew its population by 3.6 percent.<sup>3</sup> Unfortunately, that lags the national average of 7.4 percent. David Egan-Robertson, a demographer at the UW-Madison Applied Population Laboratory, explained after the Census numbers were released that this was the smallest amount of growth since the 1980s.<sup>4</sup>

In good news, he noted that more people had moved into the state than moved out — a difference from the 1980s. The bad news was that Wisconsin's birth rates have slowed. This is a challenge facing the entire country. In 2020, birth rates dropped roughly four percent year-over-year and the fertility rate fell to 1.64-a record low. Total births were the lowest since 1979.5

Even though the entire country is experiencing slower birth rates, states like Wisconsin are especially impacted because population is not growing quickly in other ways. This means the population is getting older. In the last 10 years, the number of children living in Wisconsin dropped by four percent.<sup>6</sup>

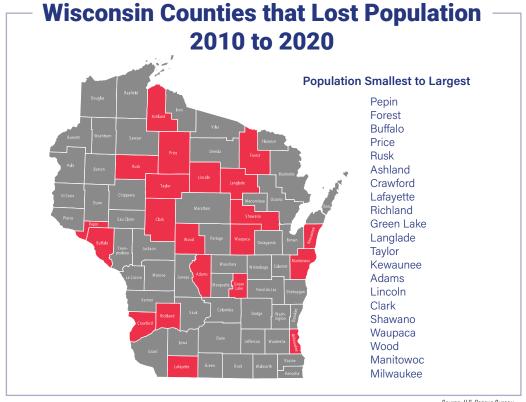
If fewer children live in Wisconsin today, that means fewer adults will live in Wisconsin over the next couple decades — a troubling statistic for businesses worried about a worker

shortage that already exists. Without attracting more people to Wisconsin via in-migration, the labor challenges will only get worse.

This spells an even more troubling future for many counties in Wisconsin. While the state as a whole did grow its population from 2010 to 2020, 21 of the state's 72 counties actually saw their populations decline. Of the 21 counties, all were in more rural parts of the state – except for one: Milwaukee. The state's largest county suffered a similar peril to places like Rusk and Ashland counties as people left for other parts of Wisconsin or moved out of the state entirely.

For Wisconsin to grow its economy over the next decade and a half, it needs to grow its working-age population much faster than the last 10 years. To do this, the state must focus on ways to attract new people to Wisconsin, retain the individuals and families that already live here and expand the talent pool to bring in more people from the sidelines.

In an interview earlier this year, one business leader quipped that if the labor challenges are not addressed, the company "may not make 2035." This is what is at stake in Wisconsin.



Source: U.S. Census Bureau



Source: U.S. Census Bureau

#### **TALENT ATTRACTION**

For the economy to grow, Wisconsin's population has to grow, too. As birthrates stagnate or decline, the only way to increase the state's population at the necessary rate for sustained economic growth is to attract people in.

One way to do this is through foreign immigration. There are a number of ways to improve the United States' immigration system, including removing the arbitrary cap on H-1B visas of 65,000 and prioritizing immigrants coming to America with the skills necessary for available jobs.

Reforms like this could improve the system and lead to more robust economic growth around the country. However, this report is focused on state public policies that can affect Wisconsin specifically. As Congress continues to battle on foreign immigration, Wisconsin must find ways to increase domestic in-migration.

The state is locked in a brutal competition for talent. To get the upper hand, Wisconsin needs to tell its story. Our modest Midwestern values may teach us not to brag, but that is exactly what is called for right now. If Wisconsin does not get the word out, building an economy in 2035 will be exponentially more difficult.

Re-launching a talent attraction campaign should be the first step in any efforts to attract more people to the state. It could build on the successful 2018 campaign run by the Wisconsin Economic Development Corporation (WEDC).

Lawmakers have already taken the first step in this plan. The 2021-23 Wisconsin State Budget requires "WEDC to expend at least \$3,000,000 from its existing state appropriations for operations and programs during the 2021-23 biennium for talent attraction and retention initiatives."

In a budget that will spend roughly \$90 billion<sup>9</sup> over two years, \$3 million is a small investment for the future of the state. Credit must be given to legislators, though, who had the foresight to once again open the door to a paid marketing campaign.

The door must be opened even wider in future years. As the data explains, Wisconsin's population desperately needs inmigration to grow. Without it, other states will quickly leave Wisconsin behind to be just another Illinois — which actually lost population over the last decade.<sup>10</sup>



#### **Building a Talent Attraction Campaign**

Wisconsin lawmakers allocated \$37 million in the 2021-23 State Budget for the Department of Tourism. 11 Prior to COVID-19, the funding paid off. According to a report, tourism generated \$22.2 billion in economic impact annually. 12 The continued investment in paid advertising is substantial evidence that other campaigns could find similar success.

Reimagining such marketing efforts to attracting residents — instead of just visitors — could be even more meaningful for the state's economy long-term. One-time investments and one-off campaigns will not lead to sustained success, however.

According to the most recent Wisconsin Employer Survey, a sustained talent attraction campaign is quite popular. Nearly three-quarters — 73 percent — of businesses support a taxpayer-funded talent attraction campaign aimed at drawing more people into Wisconsin and filling available jobs. 13

Business leaders suggested targeting three specific groups of people in a campaign: alumni from Wisconsin colleges and universities; military veterans mustering out of service; and young people looking to leave high-cost, high-tax states like Illinois.

#### Wisconsin Alumni

Engaging alumni from Wisconsin's public UW-System, technical colleges, and its private universities and colleges would be a fitting target demographic. The individuals already have a connection to the state having spent at least a couple years on a local campus, so they are already aware of what makes Wisconsin attractive. The campaign could simply serve as a reminder about the opportunities that exist in the Badger State.

Based on sheer numbers alone, this is a favorable group to target. Looking just to the University of Wisconsin's flagship campus in Madison, there are 71,762 alumni living in states that border Wisconsin. A move from Illinois or Minnesota could prove to be attractive given the close proximity.

Expanding to the rest of the country, UW-Madison currently has 287,247 alumni living inside the United States, but outside Wisconsin. Adding in two-year campuses, the Wisconsin Technical College System and the state's private colleges and universities would broaden this target group even further.

Do you support or oppose a taxpayer-funded talent attraction campaign aimed at drawing more people into Wisconsin and filling available jobs?

73% SUPPORT

**19%** OPPOSE

Source: WMC Employer Survey, June 2021

Wisconsin Cost of Living				
19%	8.1%	23%		
LOWER than the West Coast	LOWER than the National Average	LOWER than the East Coast		

Source: 24/7 Wallstreet and WEDC

#### Military Veterans

The 2018 talent attraction campaign targeted military veterans, and business leaders agree this should be included in any campaign moving forward. Wisconsin offers more veteran benefits than any other state, making it an obvious choice for military personnel and their families. 15

When the initial talent attraction campaign launched, WEDC noted that up to 250,000 members of the military leave the service each year. WEDC and other state agencies — including the Department of Veterans Affairs — could once again connect with these individuals through traditional marketing efforts and at in-person recruitment events.

Given the military will pay veterans for some or all of one final move after leaving the service, Wisconsin should be at the top of the list.

#### High-Tax & High Cost-of-Living Residents

A dollar goes much further in Wisconsin than other states — even other Midwestern states. Goods and services cost 8.1 percent less than the national average, making it cheaper to live in than Illinois, Minnesota and Michigan.<sup>17</sup> Looking to the coasts, WEDC pegs the state at 19 percent cheaper than the West Coast and 23 percent cheaper than the East Coast.<sup>18</sup>

In addition to other states having higher costs of living, they also have higher taxes. New York is the worst state in the country for its state and local tax burden and California comes in at eighth. Midwest states like Minnesota (fifth worst) and Illinois (10th worst) do not do much better than states on the coast.<sup>19</sup>

Frankly, Wisconsin — which ranks 14th highest — still has work to do on this front. However, combined with a much lower cost of living, a targeted ad campaign would be able to explain the immense savings that can be found here. In addition, significant tax reforms could provide even more incentive.

#### **Seeking Opportunity**

Four in 10 people who moved in 2020 did so because of a new job or job transfer, according to United Van Lines' 44th Annual National Migration Study — making it the top reason that people moved to another state.<sup>20</sup> The simple fact is that people typically move for opportunity.

As **Wisconsin 2035** explains, there is immense opportunity in Wisconsin. From entry-level jobs to highly skilled, high-paying careers, the state has it all. Unfortunately, Wisconsin will continue to be the best-kept secret in the Midwest until a sustained marketing campaign is fully funded and put into action.

In addition to telling the good-news story that Wisconsin has, the state must continue to stay competitive as other states are enacting bold tax and education reforms. Wisconsin can continue to expand the opportunity it has for future residents, but only if it becomes more competitive for businesses looking to relocate, expand or start-up.



#### **TALENT RETENTION**

Even if the state keeps every born-and-raised Wisconsinite inside our borders, there still will not be enough people to fill the jobs we currently have and those that will be created by 2035. That is why business leaders resoundingly expressed the need for talent attraction to be the first topic in this report.

However, retaining homegrown talent is just as important as attracting new people to the state.

The top comment from business leaders interviewed for this report about the current workforce was how much they appreciated the work ethic from Wisconsinites. The remarks spanned industries and geographic locations. Simply, people in Wisconsin are hard workers and employers do not want to lose them.

#### **Reasons to Stay**

Reasons to stay in Wisconsin are plentiful. While the previous section focused on attracting talent and who should be targeted, this section outlines why Wisconsin is a great place to live, work and play. There is immense opportunity, a high quality of life and a low cost of living.

#### Opportunity in Wisconsin

As mentioned earlier, there are routinely more than 100,000 jobs available on the Job Center of Wisconsin website. In meetings with businesses leaders, nearly every single one mentioned they were currently hiring. Some had a few open positions and others had hundreds. There is no shortage of opportunity in Wisconsin.

Wisconsin ranks highly when it comes to quality of life scores and economic opportunity in the state. According to U.S. News & World Report's Best States ranking, Wisconsin places eighth overall, and ninth on both economic opportunity and fiscal stability.<sup>21</sup>

While these rankings offer a snapshot of Wisconsin's marketability, business leaders are even more captivated by the state's offerings.

#### **Quality of Life**

"I wish I knew more about Wisconsin and moved here sooner," one manufacturing executive who relocated to the state said during an interview for **Wisconsin 2035**. This sentiment is reflected by both transplants and native Wisconsinites.

It should not come as a surprise, though. Wisconsin ranks sixth on WalletHub's Best State's to Live, earning high marks for quality of life and safety.<sup>22</sup> Additionally, as this report mentioned earlier, droves of people flock to Wisconsin each year as tourists. The people who already live here have the advantage of being able to access the state's natural wonders, bustling communities and local businesses year round.

#### **Cost of Living**

Wisconsin is home to some of the best small towns in the country. But, it is also home to some of the best small cities. Individuals and families can save significant sums of money while having access to similar amenities available in big cities. In fact, nine of Wisconsin's 11 biggest cities have a lower cost of living than the national average.<sup>23</sup>

For example, cities including Green Bay, Appleton and Oshkosh all have cost of living indexes that are more than five percent below the national average. As mentioned in the Talent Attraction section, Wisconsin has lower costs of living than multiple other Midwest States and is far lower than each of the coasts.

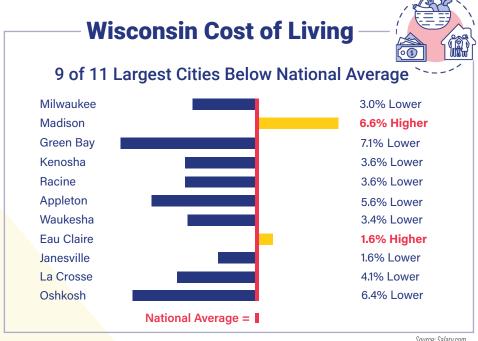
#### **Making the Connection**

The data above is hard to argue with. Wisconsin has immense opportunity, a high quality of life and a low cost of living. Unfortunately, even with the data backing it up, Wisconsin still struggles to maintain individuals who are born here. No matter the reason, the state needs to do a better job of showcasing why it makes sense to live and work in Wisconsin.

#### In the Classroom

As this report outlines, Wisconsin has a lot to offer young people coming out of high school or college. It is a great place to grow up, start a career and raise a family. Regrettably, many students are either not aware of the opportunities they have following graduation or are steered in a one-size-fits-all direction by educators and other school officials.

Business leaders do not believe this is done out of malice. Instead, they express that many teachers and counselors are in the same boat as their students: they simply do not have a full understanding of what options are available post-graduation.



Source: Salary.com

To bridge this divide, it is imperative that employers get more involved in their local schools. Educators, counselors, school administrators and students should be exposed to all their local community has to offer. This could take the form of career fairs at local high schools or field trips to area businesses. Employers should take proactive steps in the coming years to get more integrated into their K-12 schools.

Without taking this action, an entire generation of young people could leave Wisconsin because they simply did not know what was available to them in their own backyard.

Key to this plan is starting early. In the past, some businesses have connected with their local high school to discuss internships, youth apprenticeships and other skill-building programs. The majority of business leaders explain that this is too late. Many have already begun outreach at the middle school level because so many students have made up their minds on a career path by the time they are freshman in high school.

One policy reform that would empower schools to build partnerships with local businesses is to target funding to career counselors. More on this topic will be discussed later in this report.

#### Outside the Classroom

While young people absorb so much at school each day, it is critical to expand programs that exist outside the classroom. too. Getting students involved in things like WMC Foundation's Wisconsin Business World, SkillsUSA, FBLA, DECA and other programs can better prepare them for their future careers and spark interest in industries they may not have thought about previously.

Wisconsin Business World provides a case study on this topic. The program is committed to reach, inspire and engage students from every corner of the state and to teach them the importance of business, entrepreneurship and the free market through virtual and in-person events, all while informing them of economic opportunities in their own communities.

In recent years, an emphasis has been placed on informing students about the opportunities in the state. Given the workforce shortage will only get worse by 2035 if nothing is done, Wisconsin business leaders saw this as a unique way to connect with young people about potential careers — and the paths to get there.

In addition to expanding business-focused organizations, it is also important for employers to connect with their local nonprofits that serve area youth like Big Brothers Big Sisters and the Boys & Girls Club. These organizations work with a number of young people throughout the state and can be a great way to build an employer's brand while opening up young people's eyes to the vast career opportunities in Wisconsin. Many employers have already taken this step, according to our interviews, but there is opportunity for others who have not made these connections yet.



#### PR and Branding

One year after launching the Future Wisconsin Project, WMC Foundation conducted a national survey to see how people outside the state and Wisconsinites perceived Wisconsin. Unfortunately, out-of-state residents best recognized the state for its cheese, cold weather and the Green Bay Packers.<sup>24</sup>

When asked about other perceptions they had about the state, people in and out of Wisconsin had a negative view about the job opportunities available here. As this report has detailed, that perception does not match reality — which highlights the need for better public relations efforts and branding for Wisconsin's top industries.

Each year, the state already recognizes Manufacturing Month, Careers in Construction Month and Dairy Month. The need goes far beyond proclaiming a month, though. Industry leaders need to take the opportunities to put their businesses on display.

Whether through social media campaigns, facility tours, interviews with local media or other programming, these are opportunities to improve Wisconsin's brand as a state full of opportunity.

Not only is the state full of opportunity, jobs are constantly changing and improving. Walking onto a shop floor or into a dairy farm, many young people would be amazed at the sheer amount of computerization, robotics and other technology that exists.

Many careers available today in Wisconsin's legacy industries are completely different from even a decade or two ago. Young people need to know this.

#### **TALENT EXPANSION**

Two critical steps to growing the Wisconsin workforce are attracting new talent and keeping homegrown talent. However, another potential pool for labor exists: Wisconsinites who have the ability to work, but are not in the workforce.

This is a wide-ranging group with a number of reasons for not working. According to the Bureau of Labor Statistics, the labor force participation rate is "the percentage of the civilian noninstitutional population 16 years and older that is working or actively looking for work." <sup>25</sup>

Those outside the labor force could be parents staying home to care for children, individuals who have given up looking for work, and people who have reached retirement and are no longer employed. In September 2021, Wisconsin's labor force participation rate was 66.6 percent — just over 3.1 million people in the labor force.<sup>26</sup> That ranked it as the 10th best state in the country.<sup>27</sup>

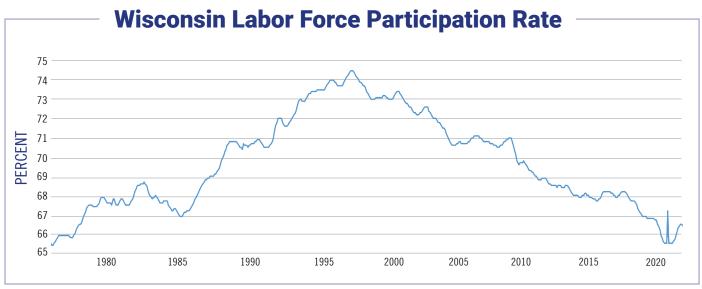
However, Wisconsin's labor force participation rate has fallen significantly since the late-1990s. The state's participation rate peaked from October to December of 1997 at 74.5 percent.<sup>28</sup> If Wisconsin had that same rate of participation today, it would add nearly 370,000 people to the potential labor pool.

Historically, the state's labor force participation rate slowly increased from the mid-1970s — when it was roughly equal to what it is today — to the peak of the late-1990s, and then it started to drop steadily again until hitting a low point in 2020 and 2021.

Reaching levels in the mid-70s may prove difficult given Wisconsin's labor force participation rate is already one of the best in the country and five points higher than the national average of 61.6 percent.<sup>29</sup> But, strategies exist to expand the overall labor pool modestly in coming years to help ease the pain associated with the worker shortage.

"Many careers available today in Wisconsin's legacy industries are completely different from even a decade or two ago.

Young people need to know this."



Source: U.S. Bureau of Labor Statistics

#### Barriers to Entry

Government can undeniably serve as a barrier to many Wisconsinites having access to a career of their choice. Whether it is through costly fees to earn government-mandated certifications or endless training requirements to earn licenses masked in the name of consumer safety, bigger government can be a roadblock for people looking to enter the job market.

To expand the opportunities for all Wisconsinites in the coming years, government must take a hard look at where it is unnecessarily barring people from entering new fields. Occupational licensing programs should be streamlined where necessary to create greater access to careers, and other bureaucratic red tape should be thoroughly inspected in an effort to reduce government size.

In addition to placing a check on occupational licensing regulations and other certifications, state government should find ways to empower the gig economy — not smother it. Workers — especially following the onset of COVID-19 — are demanding more flexibility. In fact, it is a leading reason why people leave their jobs.<sup>30</sup>

A way to have that flexibility is through utilizing the gig economy and becoming an independent contractor. Whether it is earning extra income by becoming a driver for Lyft, Instacart and DoorDash or by contracting out your services to multiple companies at once, the growth of this type of work is undeniable because workers crave the added flexibility.

It is anticipated that this freelance-style of work will only balloon in coming years. In 2018, the digital gig economy generated \$204 billion in the U.S. That number is expected to grow to \$455 billion by 2023. There are a growing number of platforms connecting businesses with professional services ranging from administrative work to technical coding.

Importantly, government must not stand in the way of this growth. Wisconsin should work to streamline the classification of independent contractors across all levels of state government. As the gig economy grows around the country, Wisconsin could be left behind if current barriers are left in place.



#### Non-Traditional Talent

Recruiting cannot be confined to strategies of the past. Moving forward, the talent pool must include individuals from non-traditional groups. This includes people who have been incarcerated, individuals with physical or developmental disabilities and retirees. Many businesses are already finding success with these groups, but further expansion is needed.

Stoughton Trailers — based in southcentral Wisconsin — has worked previously with the Wisconsin Department of Corrections on a work-release program for inmates who are nearing release.<sup>32</sup> This program allows them to gain skills while still incarcerated in the hopes of giving them a second chance.

This type of program has not solved the worker shortage for companies that participate, but it is certainly one part of the complicated puzzle. Unfortunately, there are challenges associated with growing this talent pool. Inmates who are released in many cases have to move back to the community they were originally from — which can sometimes be in an entirely different part of the state.

When former inmates are sent back to their hometowns, it can remove any connection they had to an employer while incarcerated. Business leaders have stressed that if inmates have a job offer from a company upon their release, they should be able to stay in the community where that job offer is.

Another solution proposed by business leaders in **Wisconsin 2035** interviews included expanding the ability for technical colleges to help train individuals in the criminal justice system for needed jobs throughout the state and allowing them to earn certifications. This will better prepare them upon release to find sustained employment.

As the workforce shortage persists, reaching out to non-traditional groups will be critical. Without expanding the search, businesses may miss out on high-quality, driven employees.

#### Making Childcare More Accessible & Affordable

A reason that many people leave the workforce today is that one parent decides to stay home with young children. Some parents prefer to have someone at home, while others make the decision because they cannot find suitable care for their children or the cost is simply too high.

Unfortunately, many advocates for lowering the costs of childcare argue for a government-first approach that simply subsidizes costs and grows the bureaucratic state. When government is involved, it does not lower costs — it just shifts the burden to someone else in the form of higher taxes.

That is why Wisconsin's businesses have said the solution to this challenge must be a free-market solution. They understand the challenges their employees are facing and know that more accessible and affordable childcare will attract more people back into the workforce.

A number of ideas were suggested to tackle this long-term concern of both parents and employers. At the federal level, parents can put \$5,000 into a non-taxable flexible spending account (FSA) to cover the costs of childcare. This helps parents by ensuring they do not have to pay taxes on top of their daycare costs. However, the average cost of infant childcare in Wisconsin is \$12,597 per year.<sup>33</sup> Increasing the cap on federal FSA accounts could help families better afford care for their children.

Luckily, many businesses are already taking the lead on this topic by investing in childcare services for their workers — something especially important for industries like

"When government is involved, it does not lower costs — it just shifts the burden to someone else in the form of higher taxes."

## "Essentially, there are more jobs available than people to fill them, but not all of the people's skills line up to the jobs available."

manufacturing and retail that do not operate solely on the 9-5, Monday through Friday schedule. However, there are high costs associated with creating a program for employees. To make it more attractive for employers to operate programs like these, costs could be brought down through a variety of tax incentives and regulatory reforms. These types of incentives and elimination of red-tape not only make it easier for businesses to tackle this challenge head-on, but it also opens the door for more parents to afford care.

This issue is also greatly impacted by the workforce shortage. Just like other industries, childcare providers similarly are struggling to hire. Enacting other reforms outlined in this report will help to alleviate some of the hiring challenges these providers are facing, too.

#### **Bridging the Skills Gap**

At the beginning of this section, the skills gap was noted as the main concern of business leaders — especially in the skilled trades — roughly a decade ago. As the concern has mutated into the overall population gap, the skills gap has not entirely disappeared.

Essentially, there are more jobs available than people to fill them, but not all of the people's skills line up to the jobs available. This widens that people gap even more, and it intensifies the need for additional training opportunities for individuals.

That means that the state must evolve to the ever-changing needs of industry by reforming programs at the Department of Workforce Development (DWD) and Department of Public Instruction (DPI).

Wisconsin business leaders praised the ability to work with the state to obtain Fast Forward grants from DWD to help train workers for new and upcoming job opportunities. However, they are critical of the organizational roadblocks that regularly make the grants more work than they are worth. Their message is that the program has good intentions but needs to be more reactive to the needs of business. Modernizing the Fast Forward system would make it easier for employers to access funds and, in turn, get more people to work in growing industries.

Wisconsin 2035 participants also expressed great interest in growing the Youth and Registered Apprenticeship program to cover more careers in more industries. What has been wildly successful for manufacturing, construction and a number of other industries should be replicated. This would allow more employers to take advantage of the program, while offering young people additional pathways to a career. Importantly, growth in the apprenticeship programs could reduce Wisconsin youth's reliance on student loans for college as most employers foot some or all of the bill for training through these programs.

Given the growth in student debt, **Wisconsin 2035** also suggests reforms to K-12 schooling that could have significant impacts on better training the state's future workforce. The first suggestion is to expand Wisconsin's dual enrollment program, which allows students to earn college credit while still in high school. This reform would better prepare young people for a career and allow them to jumpstart their earning potential at a much earlier age.

DPI should also reform curriculum to better connect education to careers. Suggested reforms include expanding coursework in industrial arts and technical education along with offering students more flexibility to take courses that match their career interests. More on this subject will be discussed later in this report.



Wisconsin Tax Climate				
6th	8th	<b>11</b> th		
LEAST Tax Friendly for Middle Class	HIGHEST Property Taxes	HIGHEST State and Local Income Taxes		
4. New Jersey 5. New York	6. Texas 7. Nebraska	9. Virginia 10. Hawaii		
6. WISCONSIN	8. WISCONSIN	11. WISCONSIN		
7. Kansas 8. Maryland	9. Ohio 10. Iowa	12. Pennsylvania 13. Kentucky		

Source: Tax Foundation & Kiplinger's

#### **TAXES**

Wisconsin has a taxing problem. Behind the workforce challenges that were previously outlined in detail, the state's tax climate is ranked as the second biggest policy issue facing the state.<sup>34</sup> When speaking with business leaders, however, the two issues become quickly intertwined. Taxes are another cost that workers need to contend with, so it plays into their decisions on where to get a job.

This report must give credit where it is due. Over the last 10 years, Wisconsin has pursued a steady line of tax reforms that have improved its tax climate. This includes a historic multi-billion dollar tax cut that was signed into law in the 2021-23 State Budget.

The Legislature has made tax reform a priority, but what matters is how the state is doing in comparison to others. Even as Wisconsin has cut taxes in recent years, other states are taking decisive and bold action to do the same or more. With a state that started as one of the highest-tax states in the country, policymakers need to act bigger and bolder to improve our rankings.

Wisconsin is the sixth least tax friendly state for middle class families.<sup>35</sup> Wisconsin has the eighth highest property taxes in the country.<sup>36</sup> And Wisconsin has the 11th highest state and local individual income tax burden.<sup>37</sup>

In 2021, Wisconsin's State Legislature altered the proposed budget by Gov. Tony Evers to remove a \$1 billion tax increase and replace it with a \$3 billion tax cut.<sup>38</sup> This tax cut helped Wisconsin to keep up with the crowd. Eleven states enacted laws in 2021 to reduce their income taxes, including 10 that cut individual income taxes and five that cut corporate income taxes.<sup>39</sup>

As other states also reform their tax codes, Wisconsin is doing what it can to hold the line as it competes for talent and new businesses. Unfortunately, of the states that cut income taxes, Wisconsin was the only state not to reduce its top individual income tax bracket. Former Gov. Jim Doyle created the additional top bracket during his final term in office. The current top rate is 7.65 percent on incomes over \$263,480 for single taxpayers. 40 Employers who file as pass-through entities on their individual income tax returns also pay the rate, meaning a high rate can stifle business growth.

As another significant example of how Wisconsin is not keeping up with its peers, the state has dropped consistently in its rankings as a best state for business.

In 2017, Wisconsin finally cracked the top 10 of Chief Executive Magazine's Best & Worst States for Business

listing — coming in right at number 10.41 Conversely, by 2021 the state had dropped to 22nd.42

Even with significant changes to Wisconsin's tax code in recent years, the state's ranking nationally has only seen a marginal adjustment because other states understand they need to stay competitive, too.

#### Low Tax States Are Attracting Talent

For any state that is looking to attract more talent, tax reform must be part of the equation. While pundits on either side of the political aisle will argue whether or not tax climate is a motivator for someone to move, data from the U.S. Census Bureau shows that low tax states are winning the war for talent.

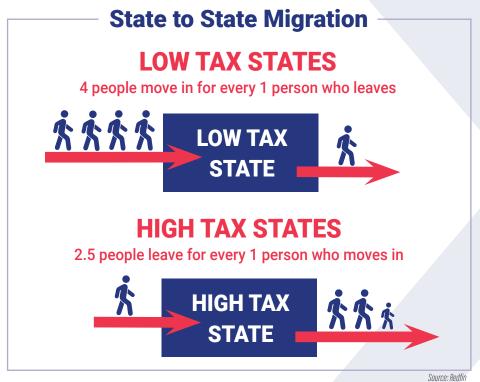
From 2013 to 2020, Americans have shifted population toward lower tax states, while leaving high tax states. According to an analysis by Redfin — a national real estate brokerage firm — four people move into low tax states for every one person who leaves. In contrast, 2.5 people leave high tax states for every one person that moves in.<sup>43</sup>

This type of population shift is the reason that high-tax states like California, Illinois and New York are losing congressional seats following the latest census. At the same time, low-tax states like Florida and Texas are gaining seats.<sup>44</sup>

Before critics claim warm weather may be the reason for people moving to these southern states, the Redfin study also found that 21 percent of homebuyers cited lower taxes as the reason for moving. "The only factors more common than low taxes are proximity to family, desire to live somewhere more affordable and desire for a bigger house," the report explains.

#### Reforming the Tax Code

To remain competitive for talent and promote economic growth through 2035 and beyond, Wisconsin must be on the forefront of tax reform. As other states push proposals to reduce income and other taxes, the Badger State's ability to keep up depends on bold ideas.



Sonice: Renill

Midwest Average Sales Tax Rates				
Illi	nois ·····	8.82%		
Mi	innesota ······>	7.46%		
Oł	nio ······>	7.23%		
Inc	diana ······≻	7.00%		
lo	wa ·····≻	6.94%		
Mi	ichigan ·····≻	6.00%		
W	isconsin ·····>	5.43%		

Source: Tax Foundation

That is why **Wisconsin 2035** interviewees categorically endorsed ideas that would make the state one of the most competitive in the nation as it relates to taxes.

The state is ripe for reform, and it could have an impact. For example, six of the eight states in the U.S. that do not have an income tax saw population growth faster than the national average over the last decade. Florida and Texas saw their populations grow by 14.6 and 15.9 percent, respectively.

By comparison, Wisconsin's top rate of 7.65 percent is quite high. Reducing, flattening and perhaps eliminating this tax would not only make headlines, it could serve as a catalyst to grow the state's economy and improve its ranking nationally for tax friendliness.

Taking on such a bold reform would face significant challenges. The 2021-23 State Budget is expected to raise \$17.8 billion in revenue from the individual income tax — roughly 47 percent of the state's General Purpose Revenue.<sup>46</sup>

The next largest contributor to the budget is Wisconsin's state-level sales tax of five percent. Counties can add on another 0.5 percent — which most do — for local budgets. This tax contributes \$13.5 billion to the budget over a two-year period covering about one-third of spending. While the income tax ranks as one of the higher ones nationwide, Wisconsin is fortunate to have a lower sales tax than most states. Wisconsin has the eighth lowest sales tax in the country and the lowest in the Midwest. 47

To make Wisconsin more competitive nationally, the state could significantly reduce and flatten or potentially eliminate the state individual income tax. To ensure the state would not see a shock to government funding, Wisconsin's low sales tax rate could see a slight increase without hurting the state's rankings. The ultimate goal would be a significant reduction in Wisconsin's tax burden to ensure the state becomes more competitive.

This type of bold reform would put more money in the pockets of hardworking families, while advertising to the rest of the country that Wisconsin is a great place to live, work and play.

#### **EDUCATION**

When it comes to education funding in Wisconsin, both Republicans and Democrats have made it a priority. The most recent State Budget approved spending \$14.2 billion in state tax dollars on K-12 education – roughly 36 percent of the general fund budget.48



Source: Wisconsin Legislative Fiscal Bureau

In the 2013-15 State Budget, lawmakers approved spending \$10.7 billion from the general fund.<sup>49</sup> That means General Purpose Revenue (GPR) spending on K-12 education has increased nearly one-third over the last five budgets.

As spending has continued to climb in recent years. educational outcomes have not. The most recent data available for the National Assessment of Educational Progress (NAEP) provides a bleak outlook for students. Only 41 percent of eighth graders and 45 percent of fourth graders were proficient in math in 2019, according to the NAEP tests.<sup>50</sup> In reading, 39 percent of eighth graders and 36 percent of fourth graders were proficient.

"As spending has continued to climb in recent years, educational outcomes have not." Looking to the state's Forward Exams, it appears the COVID-19 pandemic made a bad situation even worse. The Forward Exam tests proficiency for grades 3-8 in Wisconsin.

In the 2016-17 school year, 44.4 percent of students were proficient in English Language Arts. That number has dropped in subsequent years and hit a low of 33.7 percent in 2020-21.51 In math, 42.8 percent of students were proficient in the 2016-17 school year. The number went up and down slightly the next two years, but then dropped significantly to 33.6 percent in 2020-21.

The proficiency problems continue into and past high school. The latest data from the University of Wisconsin-System shows many students are not ready for college. Even though a four-year college degree is pushed as a one-size-fits-all answer for success in this country, Wisconsin schools are not always preparing students for this next step.

According to the UW-System, nearly one in five freshmen were required to take remedial math education in 2017. That number was over 20 percent from 2007 to 2013. In English, 6.3 percent of UW-System freshmen were required to take remedial education, though that number peaked at 9.9 percent in 2012.

#### **Wisconsin Educational Proficiency**







2020-21 Wisconsin Forward Exams Grades 3-8

**English Language Arts:** 

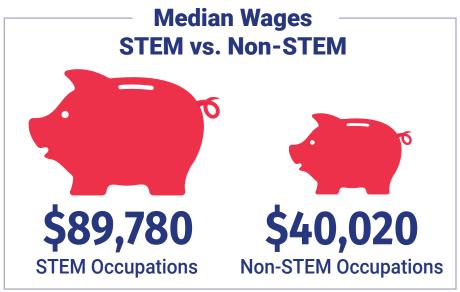
33.7% proficient

Math:

33.6% proficient

Source: Wisconsin Department of Public Instruction





Source: Rureau of Lahor Statistics

As Wisconsin businesses struggle with a growing workforce shortage, poor outcomes in education are a big concern. Throughout the dozens of interviews conducted for **Wisconsin 2035**, a number of themes developed on how to improve the K-12 education system in the state.

Business leaders urged local school districts to keep the focus on core subjects like reading, writing and math with an added focus on STEM — science, technology, engineering and math — programming. Many, in fact, expressed concerns that subjects outside the core curriculum could be a distraction for students. They also pushed back at the one-size-fits-all approach to students and their potential success. Instead, they argue the curriculum should prepare students best for college OR a career — especially given so many rewarding careers in Wisconsin do not require a four-year degree.

#### **Connecting Education to Careers**

To best prepare students for future careers in Wisconsin and expose them to the numerous career opportunities in the state, business leaders believe K-12 schools should expand STEM opportunities for students, incentivize and require schools to add career counselors to their staffs and better integrate the business community with local schools.

As the state moves quickly toward 2035, action items on these topics could ensure the next generation of workers in Wisconsin is best prepared for the future.

#### **Expanding STEM Education**

In a near unanimous point, business leaders interviewed for this report called for added emphasis on STEM education. Not only do they believe it is critical to current jobs in Wisconsin — whether engineering careers or positions in the skilled trades — but the STEM field is only expected to grow in future years.

From 2020 to 2030, careers in STEM fields are expected to grow by 10.5 percent, but non-STEM occupations are only expected to grow by 7.5 percent. Additionally, the average income for STEM occupations far exceeds non-STEM occupations. According to the Bureau of Labor Statistics, the median annual wage for STEM occupations in 2020 was \$89,780 — more than double the \$40,020 for non-STEM occupations.<sup>52</sup>

As these occupations grow, schools should allow students more opportunities to earn credits dedicated to STEM and specific career paths. One way to do this is to expand the dual enrollment program and better market it to students early in their middle and high school careers. By growing this program, more students could earn college credit at UW-System schools, private colleges or through the Technical College System.

This expanded pathway would jumpstart young people's educational attainment for jobs and shorten the onramp to a career. Not only would this better prepare students for success long-term, it would tackle the growing problem of student debt. By earning more credits at a younger age, students could enter the job market far earlier than previously possible.

#### **Career Counseling**

Employers all agree that K-12 guidance counselors have an important job in helping students with the many challenges they face day-to-day. Unfortunately, this may not leave time for students to work with these counselors on planning their next steps after high school.

That is why K-12 education funding should be targeted at ensuring schools are equipped with career counselors in addition to guidance counselors. Having dedicated career counselors on staff would ensure that school districts are able to help students sift through career options and make class choices accordingly.

Not only would career counselors be there to help students craft an educational plan that sets them up for a future career, but they would also serve as a resource to parents who have questions about opportunities for their children.

One example of how career counselors could play a part in best preparing students is by helping them understand the multitude of paths that lead to successful careers. For example, many students — and parents — may not know that jobs in the skilled trades pay quite well. Wisconsin manufacturing workers have an average compensation package of roughly \$74,000 per year.<sup>53</sup> Other careers like an electrician and a plumber similarly can earn between \$61,000 and \$80,000 annually.<sup>54</sup> <sup>55</sup>

### — AVERAGE PAY: — Wisconsin Skilled Trades



MANUFACTURING \$74,252 per year



**ELECTRICIAN** \$61,152 to \$72,842 per year



**PLUMBER** \$66,435 to \$80,101 per year

Source: National Association of Manufacturers & Wisconsin Department of Workforce Development

In addition to tying funding for K-12 schools to hiring career counselors, it could also be tied to allowing for greater flexibility in curriculum requirements. For students who have a dedicated career path, these types of adjustments could help them achieve their long-term goals much quicker.

When asked about this type of idea in the *Wisconsin Employer Survey*, 87 percent of businesses said they supported expanding technical training opportunities for high school students in the place of general education classes.<sup>56</sup>

Do you support or oppose

expanding technical training

opportunities for high school students in the place of general education classes like language arts, foreign languages or others?

87%
SUPPORT

9%
OPPOSE

Source: WMC Employer Survey, June 2021



#### Connecting with Local Businesses

As **Wisconsin 2035** has outlined, the long-term success of Wisconsin's economy relies on people outside and inside the state understanding the opportunities available here. To do this with students, businesses must further connect with their local K-12 schools to help young people understand what their community can offer them.

Business leaders offered multiple examples of what could be done on this front.

First, the state must build on ideas that are already successful. This includes expanding programs like Youth and Registered Apprenticeships and requiring college students to intern with a Wisconsin company while in college.

All of these programs create a connection to local businesses that allow students to explore the opportunities around them. To further this goal, incentives in the form of grants or tax credits could be pursued.

K-12 schools can also pull from business leaders to bolster their curricula. In addition to career counselors in schools, students would also benefit from having teachers with direct experience in the industries they are pursuing. This idea would replicate what is already done at the college level with adjunct professors. Local business leaders could be brought in specifically to teach kids about a subject they are an expert in without the clumsiness of a certification program.<sup>57</sup> This would pull on the experience of the business community to better educate young people on the skills needed for opportunities in their own community.

Lastly, employers need to take it upon themselves to follow the best practices of their peers by getting directly involved with their local school districts. One example of this comes from Fall River, WI, where contract manufacturer EK partnered with local high school students to help make the Coolest Thing Made in Wisconsin trophy. This partnership gave the students new skills and provided them a great opportunity to see a specific career path they could follow upon graduation.

"... the long-term success of Wisconsin's economy relies on people outside and inside the state understanding the opportunities available here."

#### **CONCLUSION**

Wisconsin's economy is at a crossroads. If action is not taken now, the state's future economic success is at risk. The ideas outlined in this report offer a vision for how the state can tackle its biggest economic challenges in the coming years.

As **Wisconsin 2035** points out, the state must attract, retain and expand our current talent pool. Not only does the state need to advertise why this is a great state to live and work, but policymakers need to actively work to make it a more attractive place to live and work.

Young people around the state must also be better prepared to fill the jobs of today and the careers of tomorrow.

Remember, students who enter kindergarten next fall will be graduating high school in 2035. How prepared will they be for the 2035 economy?

Finally, it should be noted that this report is just a start, not a finish. **Wisconsin 2035** is meant to offer a vision for the state's economic future. That means it will evolve over the next 15 years and continue to offer new ideas to make sure the state is ready to tackle its toughest challenges.

Wisconsin 2035. Forward.

## WISCNNSIN2035

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