

THE WISCONSIN TAXPAYER

Vol. 83, Number 9 | September 2015

A State Report Card

The governor's 1997 Lyall Commission recommended that "an annual report card on the state of the Wisconsin economy be issued, tracking progress in the growth of quality jobs, education, and training." Since 1998, the Wisconsin Taxpayers Alliance has met that charge, tracking state performance in areas ranging from economics and finance to education and infrastructure.

Noted American author James Baldwin wrote: "If you know whence you came, there are absolutely no limitations to where you can go." Others as varied as Lewis Carroll and Yogi Berra have offered similar advice.

That is why businesses benchmark performance, professors grade students, and coaches study player statistics. Continuous improvement requires honest assessment.

For 18 years, the Wisconsin Taxpayers Alliance has applied this concept in issuing the Badger State's only report card. Annually, it benchmarks performance in areas ranging from job and firm creation to student performance, state fiscal health, and road quality.

This kind of knowledge can aid public officials in forgoing stale partisan rhetoric in favor of developing and implementing sound policies to spur the economy, strengthen the workforce, and improve Wisconsin's quality of life.

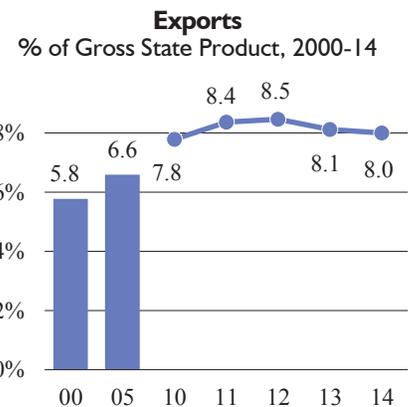
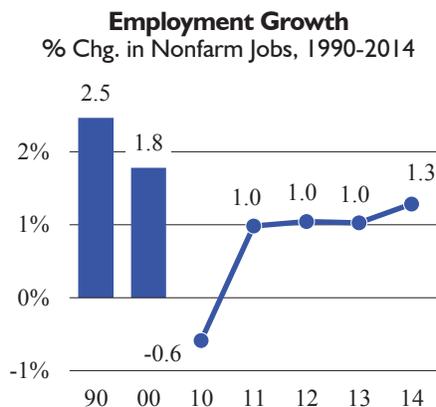
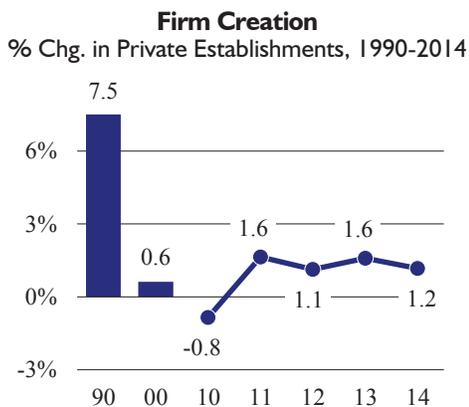
Annual Report Card	
Year:	2015
State:	Wisconsin
Economic Strength	
Firm creation	B
Employment Growth	C
Unemployment	B+
Exports	C
Economic Potential	
Patents	B
Venture capital	C-
High-tech employment	C
Workforce Readiness	
Student test scores	B-
High School Graduation	B+
College entrance scores	B+
College graduates	B
Infrastructure Availability	
Highway condition	D
Energy costs	C+
Financial Security	
Average earnings	D+
Per capita personal income	C
Household income	B+
Health Insurance Coverage	B+
Fiscal Health	
State-local tax burden	C+
State bond ratings	C-
GAAP Gen. Fund Balance	C
Social Stability	
Birth weights	C+
Poverty	B-
Violent crime	B

Also in this issue:

- State-Local Government Employees
- Biking in Wisconsin • STEM PhDs
- Home Ownership



A service of the Wisconsin Taxpayers Alliance



This one-of-a-kind report card tracks indicators spanning seven areas. State progress is assessed, both against our own past and relative to neighboring states and the nation.

ECONOMIC STRENGTH

Upward mobility, new jobs, and a growing tax base all hinge on a strong economy. Increasing income and wealth all benefit from sustaining export markets abroad.

Firm Creation

At the heart of dynamic economic growth is the spawning of new ideas and firms while allowing less adaptive ones to die. In a strong economy, firms are both born and die, but new businesses outnumber those leaving the marketplace. Thus, the percentage increase in net new private establishments is one measure of economic dynamism.

Following the 2007-09 recession, firm creation has remained fairly steady in Wisconsin. After declining in 2010, the number of private businesses increased more than one percent in each of the last four years (see figure, above left).

However, the 1.2% increase in 2014 was smaller than in all surrounding states, except Michigan (-0.6%). Between 2009 and 2014, the number of businesses here grew 4.8%, outpacing Michigan (-7.1%) and Minnesota (0.9%), as well as the national average (4.1%).

Employment Growth

Despite economic progress being multifaceted, to many, job creation is the main indicator of economic strength. After falling in both 2009 and 2010, growth in nonfarm employment in the state has been steady but slow, hovering around 1% per year since 2011 (see center figure above).

Although the 1.3% growth in 2014 was higher than in any year since 2000, it still trailed the national

average (1.9%) and all surrounding states except Illinois (1.2%). Moreover, employment in Wisconsin has grown just 3.8% over the past five years, less than any surrounding state.

Unemployment

The unemployment rate—the percentage of the labor force not employed, but actively seeking work—is an alternative labor market indicator. A high rate of joblessness means an economy has unused resources.

Since peaking at 8.6% in 2009, Wisconsin's unemployment rate has fallen for five consecutive

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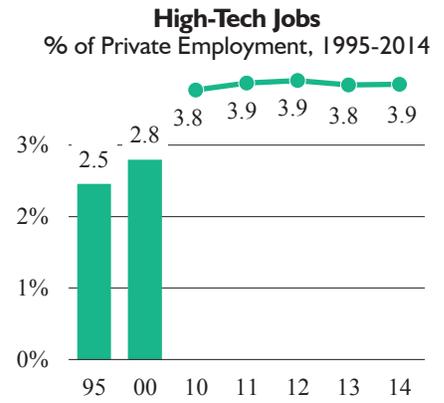
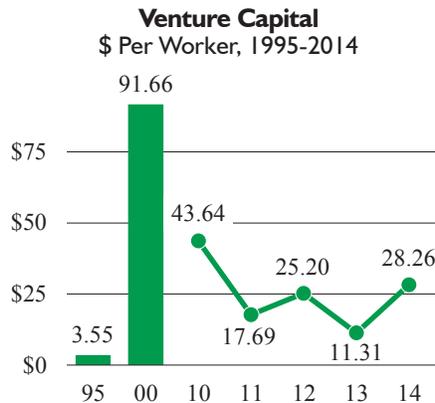
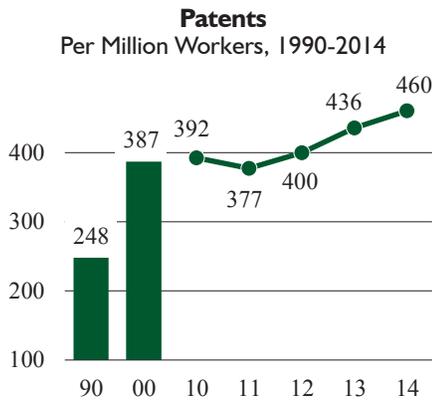
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years. In 2014, it reached 5.5%. That rate was below the nation's (6.2%) and below those in Illinois and Michigan, which were both above 7%. In contrast, unemployment in neighboring Iowa and Minnesota was under 5%.

Exports

In an increasingly global economy, exporting goods to other nations is vital to a vibrant economy. In Wisconsin, the value of exports in 2014 was 8.0% of gross state product, up from 6.6% in 2005 but down from a peak of 8.5% in 2012 (see graph on page 2, right).

Wisconsin's percentage was below the national average (9.1%) and all surrounding states, except Minnesota (6.8%).

ECONOMIC POTENTIAL

As the national economy evolves with new technologies, patents issued and venture capital dispersed both suggest the potential for new, cutting-edge businesses. High-tech jobs pay well and tend to be found in such firms.

Patents

Patent numbers reflect the impact that both public and private sectors have in advancing science and technology through innovation. The number of patents awarded to Wisconsinites increased over the past few years from 377 per million workers in 2011 to 460 per million in 2014.

In 2014, Wisconsin had fewer patents per worker than the national average (498), Minnesota (931), and Michigan (587). It had the same number as Illinois and significantly more than Iowa (340). Patents are increasing more slowly in the Badger State than elsewhere. While patents here increased by 38.3% between 2009 and 2014, all surrounding states enjoyed even larger increases.

Venture Capital

Often, new and young firms do not rely on traditional lenders for funding. Rather, they turn first to family and friends and then to angel investors and venture capitalists. The amount of venture capital per Wisconsin worker paid out annually is one measure of financing available to emerging companies.

In 2014, venture capital disbursed in Wisconsin totaled \$28.26 per worker, more than the amount disbursed in each of the prior three years. However, that figure was off by more than one third from \$43.64 per worker in 2010.

Wisconsin continues to trail the nation (\$361.74) as well as all neighboring states but Iowa (\$14.20).

High-Tech Employment

Within both manufacturing and service industries, high-tech companies are increasingly important to economic growth. In Wisconsin, high-tech jobs were steady during 2010-14, ranging from 3.8% to 3.9% of private employment.

Such jobs have been similarly steady in neighboring states over the same period. The largest increase was in Michigan, where the percentage rose a half a point from 5.0% to 5.5% of employment. High-tech jobs in Wisconsin represent a smaller share of total employment here than nationally (5.6%) and in all neighboring states, except Iowa (3.5%).

WORKFORCE PREPARATION

A well-trained, well-educated workforce is essential in a 21st century knowledge economy. High test scores and graduation rates, and an abundance of college degree recipients are all indicators of such a workforce.

Student Test Scores

Until recently, Wisconsin's public school students were tested on reading and math in third through

eighth grades, and again in 10th grade using the Wisconsin Knowledge and Concepts Exam.

Among all students who took the tests in 2013-14, 36.6% were either proficient or advanced in reading, while 48.6% were at those levels in math. Both percentages were more than a full percentage point higher than in 2009-10.

Among fourth graders, the percentages of students at least proficient in reading and math were 36.3% and 52.0%, respectively. For eighth graders, the figures were somewhat lower: 33.9% for reading and 46.4% for math. Finally, at the tenth grade level, the percentages scoring at or above proficiency were 42.3% and 45.5%.

National Student Test Scores

% 8th Graders "Prof. or Adv.", Math and Reading, 2014

	U.S.	Ill.	Iowa	Mich.	Minn.	Wisc.
Math	34%	36%	36%	30%	47%	40%
Reading	34%	36%	37%	33%	41%	36%

National comparisons of eighth graders use the National Assessment of Educational Progress; NAEP figures are shown in the table above. In math, 40% of state students scored proficient or advance, outperforming their peers in all neighboring states, except Minnesota (47%). In reading, our students were at 36%, about on par with Illinois and Iowa but below Minnesota (41%).

High School Graduation

Virtually all jobs now require a high school diploma. Thus, a state's average high school graduation rate is one indicator of workforce preparation.

A new method of calculating these rates makes comparisons with years before 2011 difficult. Wisconsin's graduation rate rose from 87.0% in 2010-11

to 88.0% in 2012-13. That was 6.6 percentage points higher than the national average (81.4%), and above all surrounding states, except Iowa (89.7%).

College Entrance Scores

Admission to most colleges and universities requires satisfactory ACT or SAT scores. Wisconsin students tend to do well on these tests. When ACT and SAT scores are combined and converted to ACT equivalents, they scored an average of 22.4 (out of 36) in 2014.

Although the Wisconsin average has dropped 0.2 points since 2009, it remains above the U.S. average (21.0) and all surrounding states, except Minnesota (23.2).

College Graduates

Adults with college degrees pay many dividends to society, including increased lifetime earning and taxes paid; more varied and adaptive skill sets needed in a post-industrial era; and greater community involvement.

In Wisconsin, 28.4% of residents 25 or older had at least a bachelor's degree in 2014. That percentage has been rising along with the rest of the nation. In 2005, only 25% of that population had college diplomas.

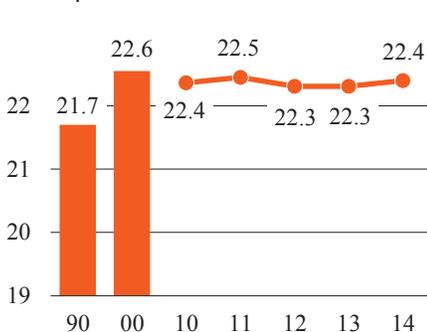
However, the state's percentage remains below the nation's (30.1%), as well as those in Illinois (32.8%) and Minnesota (34.3%).

INFRASTRUCTURE AVAILABILITY

Known for its strength in manufacturing, agriculture, and tourism, Wisconsin's economy is particularly dependent on transportation and energy. Quality roads are needed to move goods to market and get people to jobs. Affordable and available energy enhances the state's competitiveness, especially for manufacturing.

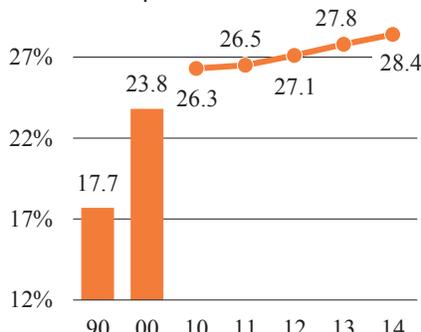
College Entrance Scores

Composite ACT/SAT Scores, 1990-2014



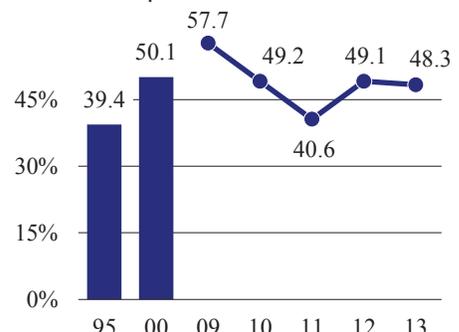
College Graduates

% 25+ Pop. with BA/BS, 1990-2014



Highway Condition

% Miles in Top Two Cond. Cat's, 1995-2013



Highway Condition

Road siting and condition can affect business location and expansion decisions, and spur area development. Deteriorating streets and highways can cost households hundreds of dollars annually in vehicle maintenance and repair.

By rating highways according to their smoothness, the federal government offers one way to evaluate road quality. Since 2009, less than half of Wisconsin highway miles were in one of the top two smoothness categories (see chart on page 4). In 2013, that percentage was 48.3%, lower than in all surrounding states and about 10 points below the U.S. average (58.1%).

At the other end of the spectrum, 10.5% of state highway miles were placed in one of the two lowest smoothness categories. That percentage has more than doubled since 2009 (4.1%).

Energy Costs

Energy is a basic cost of doing business. Rising prices can make states less competitive, while low prices make the state more attractive.

Electricity prices in Wisconsin have increased since 2003, exceeding \$30 per million Btu in 2012 (see graph, below left). Natural gas prices have trended in the opposite direction, falling to \$6.42 per million Btu.

In 2012, average electricity prices here were above the U.S. (\$28.98) and all neighbors, except Michigan (\$32.18). The pattern was similar with natural gas prices, although Illinois (\$6.84) was also above the Badger State.

FINANCIAL SECURITY

A strong economy creates well-paying jobs that help provide families with financial security. Aver-

age earnings, per capita and household incomes, and health insurance coverage are all measures of that security.

Average Earnings

Total earnings includes wages and salaries, as well as employer-paid benefits. Earnings here have long been below the U.S. norm. During 1983-2014, they were at least 10% below average in 26 of 32 years. In 2014, earnings averaged \$51,214 in Wisconsin, or 10.1% less than the national average.

Our average earnings trailed all surrounding states, except Iowa (\$50,148). Over the past five years, earnings here rose 12.5%, compared to 13.5% nationally.

Per Capita Personal Income

Per capita income (PCPI) is a broad measure of state economic activity that includes earnings, as well various investment income and government benefits. Historically, Wisconsin PCPI trailed the national average. In 1990, it was 6.2% below the U.S., but the gap has narrowed in recent years.

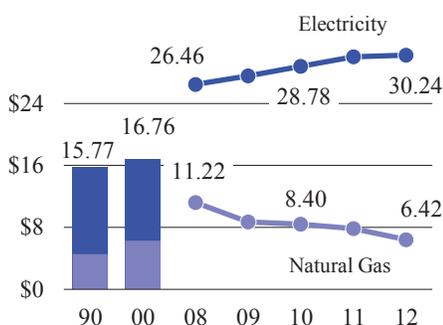
In 2014, Wisconsin PCPI was \$44,585, or 3.3% below the national norm (\$46,129) — the smallest gap since 2009 (3.1%). Nevertheless, the Badger State continues to lag all neighbors, except Michigan (\$40,556).

Between 2013 and 2014, state PCPI grew 3.1%, faster than the U.S. and all neighbor states other than Michigan (3.8%). However, except for 2013 (1.8%), that was the smallest increase since 2010.

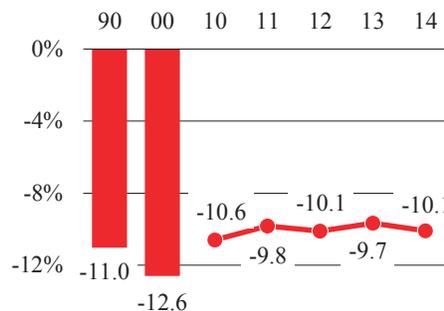
Household Income

Household income accounts for the earnings of all family members. Wisconsin's median household income was \$55,258 in 2013, 4.1% more than in 2012 and more than in any surrounding state, except Illinois.

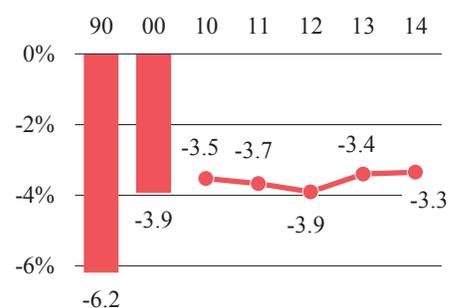
Electricity and Nat. Gas Prices
\$ Per Million Btu's, 1990-2012

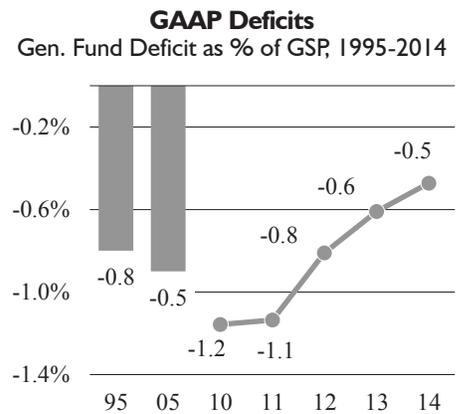
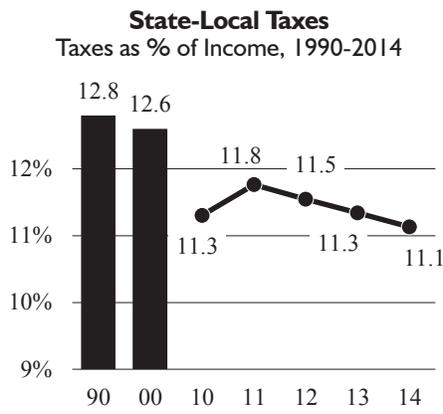
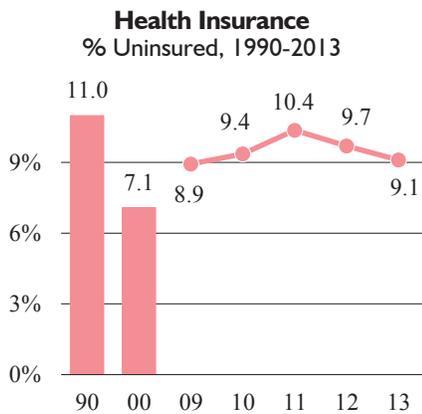


Average Earnings
% Below U.S., 1990-2014



Personal Income
Per Capita, % Below U.S., 1990-2014





Unlike personal income, household income in Wisconsin exceeds the national average (\$51,939), due largely to more two-earner households. As recently as 2008, Wisconsin's edge over the U.S. had narrowed to just 1.8%, but the gap has since widened to 6.4% in 2013. In the five-state region, Wisconsin's median household income lags only Illinois (\$57,196) and Minnesota (\$60,907).

Health Insurance Coverage

Without health insurance, a long-term illness can be costly to families and lead to financial insecurity.

Wisconsin has long ranked high in health insurance coverage. In 2013, the percentage of residents without coverage fell to 9.1%, the lowest since 2009 and well below the U.S. average (14.5%). However, the rate was higher than in 2000, when 7.1% of Wisconsin residents were uninsured (see chart above, left).

Of surrounding states, Wisconsin's uninsured rate was lower than Illinois' (12.7%) and Michigan's (11.0%), but higher than Iowa's (8.1%) and Minnesota's (8.2%).

With recent changes in federal health policy, these percentages are in flux.

FISCAL HEALTH

As highways demonstrate, efficient delivery of quality public services can contribute to a strong economy. However, government must ensure that taxes, public debt, and regulation costs are not burdensome.

State-Local Tax Burden

Like any cost, state and local taxes can influence employer and worker decisions and, as a result, job growth and economic stability. Wisconsin's combined state-local tax burden fell for the third consecutive year from 11.3% of personal income in 2013 to 11.1% in 2014 (above, center).

The most recent U.S. Census figures for 2012 (which differ slightly from the above WISTAX calculations) show that Wisconsin's state-local tax burden (11.4%) was above the national average (10.5%). Wisconsin's tax share of income was lower than in Illinois (11.7%) and Minnesota (11.6%), but higher than in Iowa (10.4%) and Michigan (9.9%).

State Bond Ratings

Bond ratings provide an objective, external evaluation of state financial condition. Higher ratings permit states to borrow at lower interest rates and save on debt service.

Although the three major bond houses—Moody's, S&P, and Fitch—call Wisconsin's current outlook "stable," they all rate state bonds below those of a majority of states. Indeed, of our neighbors, all are rated higher by Moody's, except Illinois. S&P also rates Michigan bonds lower than ours, while Fitch gives them the same rating.

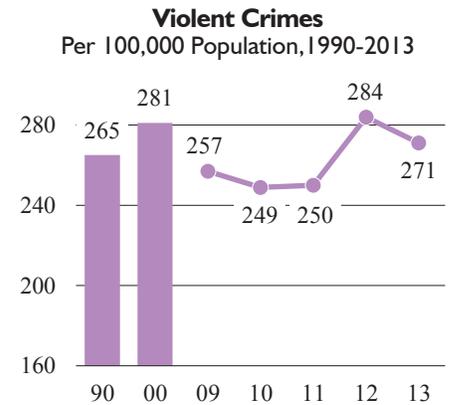
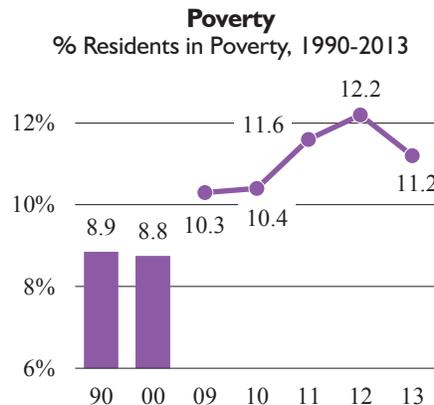
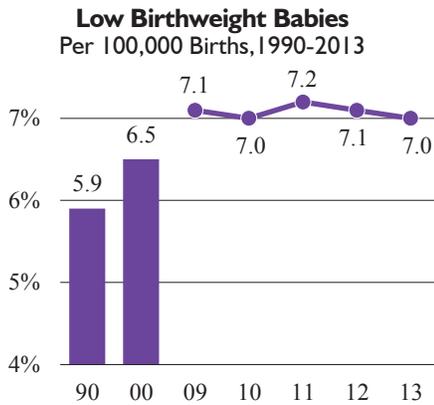
Bond Ratings
General Obligation Bond Ratings, 2015

	Ill.	Iowa	Mich.	Minn.	Wis.
Moody's	A3	Aaa	Aa1	Aa1	Aa2
Fitch	A-	AAA	AA	AA+	AA
S&P	A-	AAA	AA-	AA+	AA

Wisconsin ratings have not increased in over a decade, a reflection of recurring state fiscal problems.

GAAP General Fund Balance

Accurately comparing the fiscal condition of states is difficult due to peculiarities in budgeting. However, each year, state controllers prepare a Comprehensive Annual Financial Report using generally accepted accounting principles (GAAP). GAAP offers a less political way to compare state finances.



Under GAAP, Wisconsin has had a general fund deficit every year since 1990. In 2014, it totaled \$1.4 billion, or 0.5% of gross state product. This was the smallest percentage since 2000 (see figure on page 6, right). However, of surrounding states, only Illinois (-0.9%) had a larger deficit.

SOCIAL STABILITY

Social conditions cannot be viewed in isolation, for their effects carry over to family finance, school performance, and workforce availability.

Birth Weights

A good example is birth weights. Babies born weighing under five and one-half pounds are at a proven risk for various socioeconomic and health problems later in life. Many of these have long-term consequences for state competitiveness.

The percentage of low-birthweight babies in Wisconsin (7.0%) has remained steady in recent years (see above, left). It is below the national average (8.0%), and less than the percentages reported by Illinois and Michigan (both 8.2%). Iowa (6.6%) and Minnesota (6.4%) have lower rates.

Poverty

The federal government sets income levels below which individuals and families are deemed “in poverty.” For example, in 2014, the poverty threshold for a family of four was \$23,850.

Wisconsin’s poverty rate fell from 12.2% in 2012 to 11.2% in 2013. The rate was below the national average (14.7%), as well as those in Illinois (12.9%) and Michigan (14.1%). Iowa (10.5%) and Minnesota (11.0%) had smaller shares of their populations in poverty.

Although it is far from its 13.6% peak in the early 1980s, Wisconsin’s poverty rate has been rising over

the past 15 years (see above, center). Since 2002, poverty is up three percentage points. Surrounding states have followed similar trends, ranging from a 1.4-point increase in Illinois to a 4.1-point gain in Minnesota.

Violent Crime

Violent crimes include murder, forcible rape, robbery, and aggravated assault. Lower rates of violent crime make homes, workplaces, and schools, more attractive to live, work, and study.

After a 13.6% rise in 2012, the number of violent crimes per 100,000 Wisconsin residents fell 4.6% from 284 in 2012 to 271 in 2013. This figure was well below the national rate (368), and below rates in both Illinois (373) and Michigan (430).

Apart from occasional fluctuations, Wisconsin’s violent crime rate has been generally steady over the past two decades; the current rate is the same as in 1994. Since then, it has neither fallen below 210 nor exceeded 300. Over the past five years, violent crime has fallen 1.1% here, compared to 19.8% nationally. All surrounding states have seen greater declines, ranging from 8.1% in Iowa to 29.1% in Illinois.

GRADES

The graphic on page one displays letter grades for each of the measures discussed here. High student test scores and graduation rates help the Badger State score well in workforce readiness. However, modest firm and job growth, particularly in high-tech areas, are indicative of an economy that is not reaching its full potential. Given the manufacturing/agricultural leanings of our economy, poor highway conditions should be of particular concern to state leaders.

While Wisconsin ranks high on health insurance coverage, below-average earnings creates financial insecurity for Badger State families. □



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WISTAX NOTES

State-Local Government Employees. The relative size of Wisconsin state and local government has been shrinking in recent years. Between 2009 and 2013, the number of state-local employees per 1,000 residents fell from 51.6 to 47.8, the lowest it's been in nearly 30 years.

Surrounding states have, to varying degrees, followed a similar pattern. All have seen declines in the past five years and all but Illinois are smaller today than they were 20 years ago. Currently, Wisconsin government employment is below the national average (50.8) and, with the exception of Michigan (43.8), all surrounding states.

Biking in Wisconsin. According to recent Census Bureau figures, 0.8% of commuters biked to work in 2014, a 25% increase from 0.6% in 2005. Of the fifty states, Wisconsin ranks 14th, higher than all surrounding states, save Minnesota (0.9%). The percentage is much higher in Madison, where 5.3% of commuters bike to work, 11th highest of any city in the U.S. Bikers comprise 1.0% of commuters in Milwaukee, 1.1% in Racine, and 1.2% in Green Bay.

STEM PhDs. PhDs in science, technology, engineering, and mathematics (STEM) provide the human capital needed for research, innovation, and future economic progress. The number of doctoral degrees issued per million Wisconsin residents fell from 88.0 in 2012 to 82.9 in 2013. Wisconsin ranks below all

surrounding states, save Minnesota (72.5), but above the national average (81.8).

Home Ownership. In 2014, 67.8% of Wisconsin households owned homes, down from 68.5% in 2013. Although Wisconsin's home ownership rate is higher than the national average (64.5%), it is lower than all surrounding states except Illinois (66.4%). Wisconsin's home ownership rate peaked at 73.3% in 2004. Since then, it has declined 2.6 percentage points, compared to 2.9 points nationally.

In FOCUS . . . recently in our biweekly newsletter

- Baby-boom fallout and more: Understanding teacher trends (#17-15)
First depletion of U.S. entitlement in 2016; others follow within 20 years (#18-15)

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