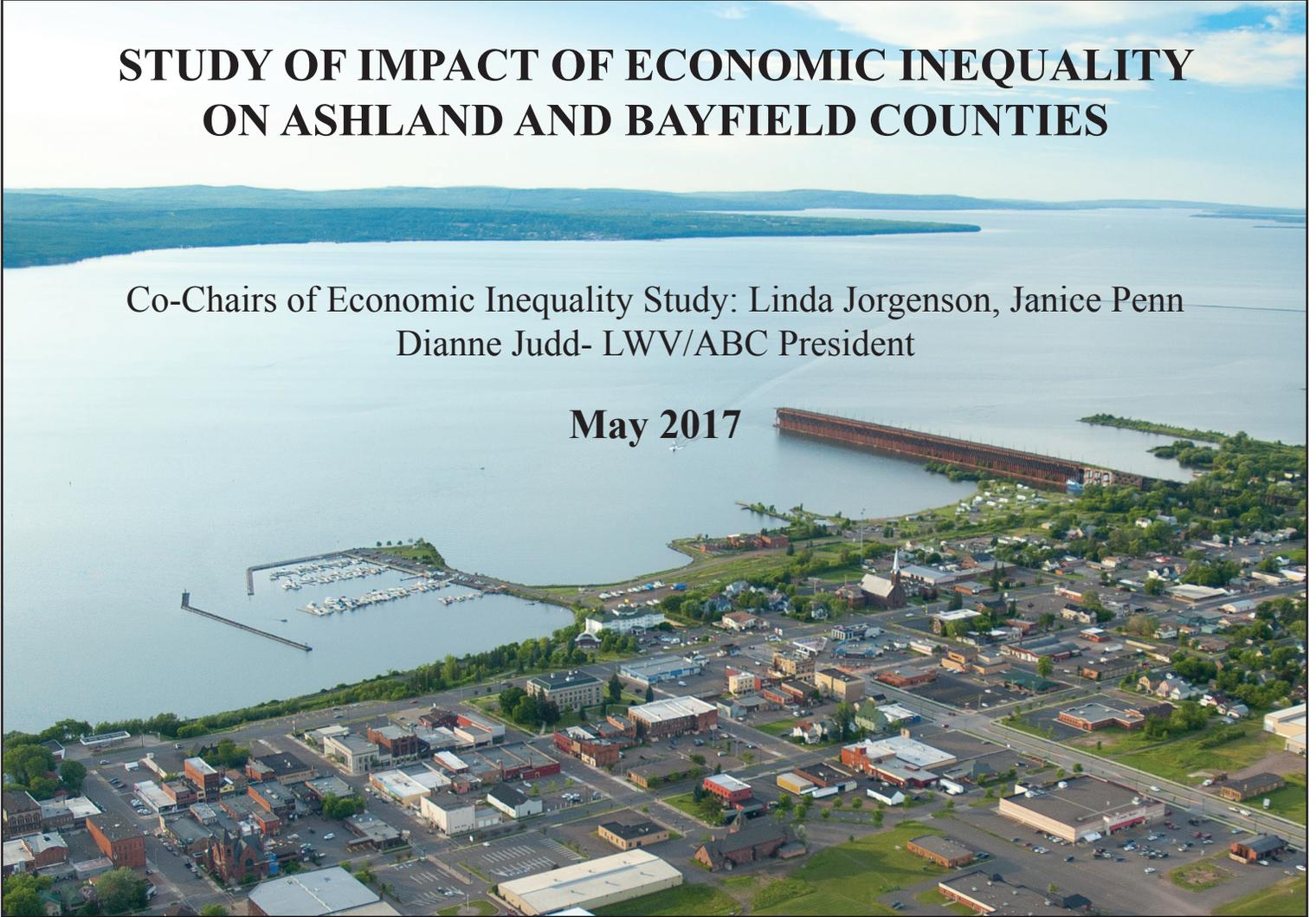


STUDY OF IMPACT OF ECONOMIC INEQUALITY ON ASHLAND AND BAYFIELD COUNTIES

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Cover Photo: Ed Monroe

We must make our choice. We may have democracy, or we may have wealth concentrated in the hands of the few, but we can't have both.

Louis Brandeis

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STUDY OF IMPACT OF ECONOMIC INEQUALITY ON ASHLAND AND BAYFIELD COUNTIES

INTRODUCTION

The gap between the top one percent and the rest of us has become one of the defining issues of our age. In 2014, concerned that it was creating economic hardship in our community and eroding our democratic institutions, the League of Women Voters of Ashland and Bayfield Counties (LWV/ABC) voted to undertake a two-year study. The study was designed to address the following question:

“What are the specific ways in which the Chequamegon Bay region is impacted by economic inequality, and what can we do about it?”

We all know something is wrong. We know that in our parent’s day, dad worked and mom was able to stay home with the kids. When dad retired, they lived on his pension and Social Security. The middle class was a lot broader and more comfortable. Most people could afford to pay their medical and dental bills, afford to buy a house and a new car and help pay their child’s college tuition. Now that is not the case, and it seems like it will be even less likely for our children’s generation.

We are all experiencing one of those paradigm shifts in the global economy. As we face finite natural resources we have seen the widespread extraction era close for minerals, timber, fisheries, and arable land. As manufacturers, have chased expanding world markets and cheaper labor they have located their factories closer to new markets, or closer to raw materials, or in places that labor is cheap.

But automation, not offshoring, has been the chief reason many US manufacturing jobs have disappeared. That means those jobs are not coming back. In fact, US manufacturing, has been growing in the last two decades, it is just employing fewer people. Between 1979 and 2015 the US lost 7.2 million manufacturing jobs. Ball State University Center for Business and Economic Research has calculated that eighty-five percent of those job losses were due to technological change, largely automation, rather than international trade. (1) Labor-saving robotics is now the must learn technology, but instruction still is inconsistent from K-12 through college. During all this dislocation, the voices of workers and small business owners have been sidelined or silenced. The big corporate owners, managers and financiers have become the national and international power elite.

Wages for the broad American middle class have not kept up with inflation. America’s rural Main Streets have empty storefronts. Furthermore, certain costs such as health and dental care now exceed the ability of American families to pay for them. They also exceed the capacity for small businesses to offer them as part of a benefit package, despite the fact they are tax deductible.

Modern business models and practices have also replaced defined benefit pensions with employee plans like 401(k)s and Simple IRAs. But many moderate and low wage workers and small businesses cannot afford to contribute to these savings instruments. Buying a new car is now like taking out a home mortgage was for our parents' generation.

The American people voice frustration and anger. Yet with no consensus on the causes of middle class wealth decline they find it hard to forge consensus on solutions. A lot of explanations circulate daily, many based on ideological positions, but without real information or solid economic foundations. For some, it is because we have too much "big, expensive government." If we just got rid of government regulation and privatized as much as possible, we would prosper. For others, it is just the opposite, we have "freed" (de-regulated) the market so much for big banks, Big Oil, big corporations of all kinds, and blocked sensible government investment in schools and infrastructure, a green energy conversion, transportation, and a national health plan, that we now have an oligarchic form of capitalism.

Furthermore, this divide is deepened by billionaires and corporations who spend unlimited sums of money to influence our economic policies and political process. (2) This used to be considered corruption, but is now enshrined as free speech by the US Supreme Court *Citizens United* decision. The escalating impact of "big money" by all political persuasions deeply undermines our democratic institutions.

The LWV/ABC has embraced this heated debate and decided to study what we can do about the impact of economic inequality in our two counties. What we have found is there is much to celebrate about the health of our region, but also some real hardship and cause for concern.

A Sense of Identity

At the undertaking of this study, the League of Women Voters of Ashland and Bayfield Counties understood that the region spills over into a larger area identified as northern Wisconsin; however, the study group has chosen to limit this analysis to Ashland and Bayfield Counties – the local League's service area. That service area is expansive. The two-county combined land mass is over 4,335 square miles. Total population in the two-county area is under 31,000 people. This equates to a population density between 10 and 15 people per square mile.

The number of people or the large land mass are not the only notable characteristics of this rural area. The Wisconsin Office of Rural Health – an office of UW-Madison's School of Medicine & Public Health – recognizes Ashland and Bayfield Counties as "frontier" counties. Frontier areas are not merely rural; they are "deep rural." Additional factors used to identify frontier areas include distance and travel time to reach population centers and services. A resident of Barnes in southwestern Bayfield County must drive an hour to cover nearly 50 miles to reach the county seat of Washburn. It is another 25 miles to the northernmost community of Cornucopia. The types of services and amenities that would be assumed in an urban setting are often non-existent in a frontier region. The local hospital opened a new cancer treatment center in 2016. Prior to

completion, individuals requiring chemotherapy had to travel up to 120 miles to Duluth for services. The closest mall is an hour and a half away from Ashland.

Frontier communities also lack paved roads. As an example, the Town of Kelly controls over 40 miles of roadways. Not one of them is paved with anything other than gravel. Public transportation is limited to a few select routes, several of which run only once a day. Most of the two-county area is not accessible by public transportation. Some roads in outlying areas are only seasonally accessible and access to some services changes depending on the seasons. Essential vehicles for northwestern Wisconsin include a pick-up truck and snowmobile.

Closely linked to the frontier designation is the fact that large tracts of real estate in both counties are publicly owned. Most of this acreage is part of the Chequamegon-Nicolet National Forest. Others include state and county forest lands, the Apostle Islands National Lakeshore and the Bad River and Red Cliff Ojibwe homelands. These large segments certainly contribute to the frontier culture, yet also have an economic impact because as public land these parcels are not taxed, and while they contribute money “in lieu of taxes”, any state dollars that are returned to the local economy only make up a small percentage of the tax potential. Since Wisconsin local government is funded primarily through property taxes, Ashland and Bayfield Counties are at a disadvantage even though their land masses are much greater than many other counties in the state.

One other factor that defines our rural community is the racial demographic compared to urban areas. Ashland and Bayfield Counties have nominal African American, Hispanic, and Asian populations. The major minority population is Native American. The Native community is represented by the Bad River and Red Cliff Bands of Lake Superior Chippewa. Both tribes make important contributions to the region. The Bad River Band is the second largest employer in Ashland County. Both offer a range of health and human services to tribal members. Both contribute to the regional tourism economy with casino and lodging amenities. Among other things, the Red Cliff Legendary Waters Resort and Casino in Bayfield County offers one of the area’s finest marinas, providing direct access for the sailing community to the Apostle Islands.

The values of the Native American community are also intertwined with the greater community’s identity. Most particularly apparent is the concept that actions and their consequences reverberate for seven generations. The Finnish quality of “sisu” is also an identifying marker. This descriptor is defined as a fierce self-reliance and can-do attitude. While some might characterize our community as parochial, we prefer to describe ourselves as close knit. This is reflected in a caring concern for neighbors and community.

So in undertaking this study the LWV/ABC hopes this report will give citizens some non-partisan information with which we can all begin to connect some of the dots. The report will delineate the impact of income inequality on wages, small businesses, public education, health care, support for families, taxation and the integrity of our democratic process. The League of Women Voters of Ashland and Bayfield Counties, being a volunteer organization without the credentials of professional economists, recognizes, admittedly, that this was a big challenge. The League

apologizes for the simplicity with which we have addressed the complex nature of all these issues. However, the League also believes that regular, ordinary people must amass their own facts, examine them and then draw their own conclusions. In fact, a democracy requires just that of its citizens.

This report is the result of that effort.

STUDY FINDINGS

DOES ECONOMIC INEQUALITY IMPACT THE ASHLAND AND BAYFIELD COUNTIES' ECONOMY AND QUALITY OF LIFE?

THE GOODS NEWS: OUR REGION HAS MANY ECONOMIC STRENGTHS

The Study Committee found that the Chequamegon Bay area already has an extensive inventory of economic strengths, and the energy and enthusiasm for positive economic development. Some of this comes from embracing new ideas, but much of it is also built on the wisdom from our region's own self-reliant past. Small entrepreneurs, whether on farms, in tourism, or in retail on Main Street, continue to take leadership in inventive ways to make themselves more economically sustainable and increase production of valued-added products, ideas and services. Regional wealth retention is very much on people's minds.

Over the last half century small farmers have led a revival in the agricultural sector, from the fruit growers on the Bayfield Peninsula, to dairy farmers, meat producers, and vegetable growers around the region. Research on expanding our fisheries resource is ongoing. Community supported agriculture is popular and the area touts its organic and locally sourced produce in its restaurants, grocery stores and schools. Anchor institutions such as Northland College have pledged to purchase local produce for eighty percent of their food service by 2020 and opened a Food Center to prepare and package food for the campus as well as other community partners. Area public schools have also added food production to their K-12 curriculums and are committed to serving more locally grown produce.

Many Chequamegon small business owners also recognize that paying a living wage is not only important for their family and neighbors, but is the bedrock for building healthy demand for their goods and services. Some are already doing so, while others would like to, but question their ability to sustain the move. Anchor institutions such as Northland College, local banks, local governments and medical establishments are taking conscious steps to purchase locally at fair wages as a way not only to reduce their carbon footprint, but also to help economic development by keeping more dollars circulating locally.

Most noteworthy, local businesses continuously and generously give to local community organizations and events. Local municipalities, economic development authorities, the Chequamegon Food Coop and even the Chequamegon Bay Arts Councils offer grants and revolving loans. There are several small local foundations and two community funds affiliated with the Duluth-Superior Area Community Fund. Bremer Bank and Essentia Health also have foundations that regularly return money to the community through grants.

Elected officials and local investors are also stepping up to keep money closer to home through local green energy production. Bayfield Electric Cooperative's Solar Garden exceeded their original demand projections for solar panels by thirty percent. Local municipalities and counties

are all examining renewable energy options not just for fossil fuel reduction purposes, but as a way to keep the immense amount of utility dollars from leaving the area.

Much is already recognized about how the area's stunning natural beauty, clean air and clean water are an economic goldmine. For generations, this region has been a draw for tourists, including some national and international recreation events. But it also attracts and retains young people and their families, whether graduating college students, or the adult children of local families. While tourism is often a seasonal and low wage industry, the presence of a national park and multiple state and county parks, Lake Superior, and public forest lands have also brought in park and natural resource management and research jobs.

Resource management has also increased gainful employment opportunities for many Bad River and Red Cliff Ojibwe people on their homelands. And while reservation casino tourism has added only a modest source of revenue, it has also increased jobs. Our abundance of clean water has also been recognized as a potential driver of economic innovation and development. Hence the current discussion of some kind of regional water consortium including Northland College's new Fresh Water Innovation Center.

Correlating with the region's natural beauty has been the attraction of an enviable number of artists, craftspeople, writers, actors and musicians who make their homes around the Chequamegon Bay. They not only enrich the area's cultural appeal, but also contribute to the economy as small business owners. For instance, it is estimated that Lake Superior Big Top Chautauqua alone brings in 4 million dollars annually into both Ashland and Bayfield Counties. The region is also home to a legion of highly educated retirees who participate in and contribute to a creative local culture.

Finally, Wisconsin's northern region, and in particular, our Bay Area persists in its admirable generosity and its unflagging efforts to support the disadvantaged among us. Area residents dig deep with both money and volunteer time to support our food shelves, our thrift stores, our homebound elders and people with disabilities, and regularly organize benefits for families hit by devastating emergencies.

THE NOT SO GOOD NEWS: ECONOMIC INEQUALITY MAKES THE BIG ECONOMIC CHALLENGES OUR COUNTIES FACE WORSE

Poverty diminishes people born for better things.
Matthew Desmond, Evicted

I. Wage Stagnation Has Impoverished Families, created a Long Slow Drag on Consumer Demand for Local Businesses and Stalled Much Investment in Economic Growth.

The Rise of the “Working Poor.”

Since the 1970s we have witnessed the rise of the “working poor.” These are the people who work full time (2,080 hours per year), who earn more than the federal poverty level (FPL), but whose wages do not cover the basic cost of living.

These are the individuals and families who are the victims of the wealth divide we now face in our country. Some lost their footing when their higher wage, unionized industrial jobs left our area. Some are our young people who lack college degrees and face mostly lower wage entry level service and retail jobs. Many are single women heads of households who are working in traditional women’s caregiver roles in nursing home or community support agencies, or in retail. Many are still paid less than men for the same work. While in 2017 things are finally post-recession and looking up for our national and state economies, anemic wage growth has left many people feeling like they work harder every day and yet keep falling further behind.

Families have accommodated by becoming two earner families. Single bread winners are working more than one job. The median annual income for Ashland County is \$39,172; for Bayfield County, it is \$45,158. (“Median income” means just that. Half our households in both counties live below that income level.) At today’s costs for food, housing, child care, health care and transportation, this is not a sufficient income for a family of four. In their 2016 report, *Asset Limited, Income Constrained Employed (ALICE)*, the United Way of Wisconsin identifies this whole new sector of people as the “working poor.”

Comparing 2016 costs for five household essentials - food, shelter, transportation, child care and health care, plus a ten percent contingency and taxes for each county against annual income, the United Way calculated a basic survival budget. (3) The Ashland County Survival Budget for a family of four (two adults, one infant, one preschooler) is \$51,624 and \$21,408 for a single individual. The basic survival budget for similar Bayfield County families and individuals is \$53,748 and \$20,772, respectively. This basic survival budget does not include items such as cell phones, computers and internet access, now considered essentials even to complete job applications and applications for public assistance.

In further comparing the numbers, the WI United Way found that in Ashland County while sixteen percent of households live under the Federal Poverty Line (FPL), an additional thirty-two percent live below a survival budget. For Bayfield County, it was twelve percent meet poverty guidelines, but an additional 24 percent are working poor (ALICE) households. Essentially 48 percent of Ashland County residents and 36 percent of Bayfield County residents experience hardship paying their bills at the end of each month.

When the United Way looked statewide they found that forty-two percent of households in Wisconsin struggle to afford basic household necessities, thirteen percent of these households live in poverty using the Federal Poverty Level, and an additional twenty nine percent are the working poor.

The Massachusetts Institute of Technology (MIT) has also been tracking the “working poor”. Since 2004 they have been applying their “Living Wage Calculator” software to all the counties in the US. In-putting data from a number of federal government sources that track cost of living, MIT staff calculate a barebones survival budget and wage for various size families. Their estimated required annual income for a family of two adults and two children in Ashland and Bayfield Counties, with both adults working full time, would be \$65,147, or \$15.66/hour/each. (4)

These survival wage numbers highlight how outdated minimum wage estimates have become, and also how behind the federal poverty level (FPL) is as a measure of economic viability, at \$23,850 for a family of four and \$11,670 for a single adult. All these figures probably go a long way to answer the question of why there is the “politics of resentment” in Wisconsin’s rural areas which UW Madison professor Katherine Cramer recently reported in her book of the same name.

Who are these working poor (ALICE) households in Ashland and Bayfield Counties?

They come in all age groups. Some of the older members of this group are the people who got laid off from the good paying jobs at Fort Howard Paper or Louisiana Pacific and were never able to find comparable paying replacement jobs and missed out on any pension. Some are people working at low wage jobs in fast food, retail or human services such as at our nursing homes or community support agencies. Some of these people work at Walmart. Many of these people are women who still earn less than men. Some of these people are also farmers who are wrestling with low prices in the small farm economy.

Each month they struggle to figure out what basic bills to pay. These are the working families who show up at the BRICK food pantry or depend for part of their groceries on Food Stamps. They are the families who make too much money to qualify for Medicaid, but cannot afford health insurance even though some are greatly helped by the subsidies under the Affordable Care Act, or the sliding scale fees of the NorthLakes Clinics. They are the people who delay basic primary care and show up at the emergency room of Memorial Medical Center. They are the ones who cannot afford to go to the dentist.

These are also the people in our community who are not accumulating assets. They cannot save for college for their kids or for their own retirement. The assets they do have are more likely to be either liquid assets, which are consumed by emergencies, or cars which depreciate rather than gain in value. Any sudden job loss or unexpected health emergency and they are at risk of losing their housing and becoming homeless. These are the families among us who juggle credit card debt as a means of survival and who in emergencies turn to payday loan/ title loan companies at very high interest rates.

The working poor also pay taxes. They pay income, property, sales and payroll taxes. While federal tax credits have made a difference for some households, they do not match the size of the credits or deductions received by higher-income households, such as the mortgage tax deduction. According to the Institute on Taxation and Economic Policy (ITEP), taxes paid after federal deductions result in the lowest income quintile paying more than 10 percent in income tax while the highest income quintile paying less than 8 percent. In terms of payroll taxes, on average, the lowest income group pays more than 8 percent of their income while those in the highest income quintile pay less than 6 percent. The lowest income group on average also pays almost 8 percent of their income in state sales and excise taxes, while those in the highest income quintile pay less than 3 percent (Marr and Huang, 2012; ITEP, 2015). (5)

What has economic inequality had to do with this?

The quick answer is that since the 1970s, the United States has not become a poorer country (see the continued growth in the US Gross Domestic Product (GDP)), rather 90 percent of US workers have not been able to capture their fair share of the productivity gains in the US economy. That means that the US economy has not stopped making a lot of money, it just means that more and more of it has gone to the top one percent of wealth holders.

Some middle-class families, chiefly very clever entrepreneurs, or those with college professional degrees such as law, medicine, tech skills, and access to benefits like health and life insurance through work, and perhaps greater assets from inheritance, have remained comfortable. Some have even moved into the top one percent. But the broad base of American people has seen a slow erosion in their standard of living.

Research done by the University of Wisconsin Center on Wisconsin Strategy finds that between 1979 and 2007, the onset of the Great Recession, the top one percent gained 275 percent in wealth, the middle quintiles of the population received less than 40 percent, and the bottom one-fifth gained only 18 percent. Since the 2010 economic recovery, 95 percent of all economic gains have gone to the top one percent. The median earnings for a Wisconsin man working full time, for a full year in 1973 was \$52, 419. In 2013 it was \$50,033. In addition, in 2015, female full time workers still made only 80 cents for every dollar earned by men. Women's median annual earnings in 2015 were \$40,742 compared with \$51,212 for men. (6)

Why did we all not see this happening to us?

A tangle of economic policies and technological advances in the last three decades has led to this economic inequality. We all witnessed the outsourcing that created high rates of unemployment and dampened wage growth. That's part of the anger against trade deals. Less visible has been the widespread and ongoing automation in the workplace. Only now is everyone wondering why no one spoke up for American workers. Just as devastating in terms of our community morale has been the slow impoverishment and disappearance of small businesses from our main streets.

Perhaps much more complicated, but now the subject of many books by economists, is the role that Wall Street began playing in the larger economy in the 1980s. (6) Instead of measuring companies by how solid their balance sheet, the stability of their long term business plans, or the loyalty of their workforce, they were evaluated primarily by their share prices and how fast those could be made to rise. This incentivized CEOs to focus more on the short-term profit for their shareholders rather than reinvesting profits in innovation or employee compensation. The rewards for CEOs who successfully increased share prices were ever higher salary and benefit packages, especially stock options. It is one of the reasons CEOs now make on average 300 times more per hour than their employees. (7)

Furthermore, any widespread understanding of economic changes has been clouded by the omnipresent promotion by Big Money of their own self-serving economic agenda. Much needed to help both workers and small business in Ashland and Bayfield Counties is the open debate of economic issues and policies at all levels. Revisiting our trade policies is one important issue. Worker compensation as part of any healthy growth strategy is another. Wall Street financialization is another. Perhaps the most challenging conversation is to begin to answer the questions about the nature of work and jobs in modern America with continued rapid automation, the emergence of the independent contractor "gig" economy, and so much of retail moving to being done online. Yet honest and thoughtful debate on all these pressing issues is hard to squeeze into a political arena that seems dominated by constant conflict.

Whatever the myriad causes, low wages and wage stagnation now create a serious drag on Ashland and Bayfield Counties' local economic development. Despite the best "buy local" campaigns our small business sector can only expect sluggish local demand. This furthermore gives pause to entrepreneurs thinking about investing in new enterprises. It has also increased the need for more public spending on the social safety net.

II. Who Has Spoken for the Workers and Our Small Businesses?

"he not busy being born, is busy dying."

Bob Dylan

There Has Been No Organized Response

It has taken the better part of three decades for the American public to recognize these economic realities. In particular, American public policy has been slow to acknowledge the pain for dislocated industrial workers and their business communities. Rural areas in particular have been neglected. Our allies (and competitors) in many other developed countries have recognized the social costs of this dislocation and began the much-needed debate about what to do about work in a post-industrial society much sooner than we have.

Why haven't our elected representatives and workforce departments done more to help cushion the transition in some organized way? That is a huge unanswered question. Often instead of any coordinated or constructive public plan, displaced workers were given one solution, "just get another job." Yes, there were severance packages, job re-training stipends, extended unemployment benefits. But if your replacement job paid a much lower wage and came with no benefit package, your standard of living declined and your future looked bleaker. From the abandoned factories and empty storefronts de-industrialization made our communities look bleaker too.

Job losses were defined as personal not societal failures and it was the individual's responsibility to cope with it. If you were a union member with a union wage and benefit package, you were also told that unions were the reason you lost your job, and unions never really represented your interests. Only now are we linking increased chronic disease or alcohol or drug addiction to economic distress. (9)

On the broader policy level, despite the many job retraining initiatives and programs (10), there is still confusion about an effective response to globalization and automation. What jobs should we be training for, and who is best to do the training - schools or the businesses themselves? Major government investment in publicly funded "transition" jobs programs, a strategy that addressed massive economic dislocation during the Great Depression was off the table. Yet America's need for infrastructure modernization, new sewer and water systems, renewable energy conversion, new forms of high speed transportation including electric trains, environmental cleanup, all of which could also have offered job retraining and positioned the US to be more competitive globally, were all rejected as either "unaffordable" due to "budget deficits", or antithetical to a free market economy, both problems many mainstream economists argued were more ideological than actual.

While all developed countries have struggled to adapt to a post-industrial world, the U.S. has also failed to observe the ways our competitors dealt more successfully with the workforce challenges of globalization and technological change. Many chose public/private workforce development

models that were fairer to their displaced workers. They honored Labor's right to a voice and worked with unions in finding solutions rather than scapegoating them. They also managed in the process to innovate and modernize their industries, and energy and transportation sectors much more thoroughly than the US. Take the examples of Germany and Japan.

As an example, let's examine Robert Reich's recent description of making Boeing airplanes.

"Building Boeing airplanes in South Carolina" from column by UC Berkeley Economist Robert Reich, February 21, 2017

Start with Boeing's Dreamliner itself. It's not "made in the U.S.A..." It's assembled in the United States. But most of its parts come from overseas. Those foreign parts total [almost a third](#) [3] of the cost of the entire plane.

For example:

The Italian firm Alenia Aeronautica makes the center fuselage and horizontal stabilizers.

The French firm Messier-Dowty makes the aircraft's landing gears and doors.

The German firm Diehl Luftfahrt Elektronik supplies the main cabin lighting.

The Swedish firm Saab Aerostructures makes the cargo access doors.

The Japanese company Jamco makes parts for the lavatories, flight deck interiors and galleys.

The French firm Thales makes its electrical power conversion system.

Thales selected GS Yuasa, a Japanese firm, in 2005 to supply it with the system's lithium-ion batteries.

The British company Rolls Royce makes many of the engines.

A Canadian firm makes the moveable trailing edge of the wings.

Notably, these companies don't pay their workers low wages. In fact, when you add in the value of health and pension benefits – either directly from these companies to their workers, or in the form of public benefits to which the companies contribute – most of these foreign workers get a better deal than do Boeing's workers. (The average wage for Boeing production and maintenance workers in South Carolina is [\\$20.59 per hour, or \\$42,827 a year](#). [4]) They also get more paid vacation days.

These nations also provide most young people with [excellent educations](#) [5] and technical training. They continuously upgrade the skills of their workers. And they offer [universally-available health care](#) [5].

To pay for all this, these countries also impose higher tax rates on their corporations and wealthy individuals than does the United States. And their health, safety, environmental, and labor regulations are stricter.

Not incidentally, they have [stronger unions](#) [5].

So why is so much of Boeing's Dreamliner coming from these high-wage, high-tax, high-cost places?

Because the parts made by workers in these countries are better, last longer, and are more reliable than parts made anywhere else.

There's a lesson here.

The way to make the American workforce more competitive isn't to put economic walls around America. It's to invest more and invest better in the education and skills of Americans, in on-the-job training, in a healthcare system that reaches more of us and makes sure we stay healthy. And to give workers a say in their companies through strong unions. In other words, we get a first-class workforce by investing in the productive capacities of Americans – and rewarding them with high wages.

Since the 1980s both Republicans and Democrats have followed “supply side economics”, policies that in theory would enable the “free market” to “explode” with employment options. It hasn’t happened. It particularly hasn’t happened in our rural areas. Many are now reassessing that perhaps in areas where the free market is not interested or unwilling to invest or innovate, it is government’s responsibility to make those investments. This might be of particular benefit to rural parts of America. (11)

In fact, only recently have we “recalled” that the partnership between the government and private enterprise was actually behind many of the US’ most brilliant scientific and economic achievements. For example – many key pharmaceuticals, nationwide electrification, the US train system, the invention of the computer and the internet, the interstate highway system, the infrastructure of our National Parks/Forests, and satellite’s and space technology resulted from government research, or public investment. More to the point we “forgot” that many of those public programs taught new updated skills and spurred innovation that moved into private industry and translated into impressive growth and further innovation.

The Economic Innovation Group (Washington, DC) has summarized the policies and drivers that stunt growth. (11) (See more detail in Appendix A.) Among their findings are:

- Consolidation of banking sector with fewer community banks and a resulting significant decrease in lending to small business startups for youth and minorities.
- Impact of regulatory and tax laws which have been disproportionately favored large corporations and have added burden of compliance cost to smaller new ventures.
- Increase in mergers of large businesses and acquisition by larger corporations of innovative small businesses applying new technologies, and the failure to enforce antitrust laws. Also, utilization of “non-compete clauses” and patents which limit new technologies movement into new ventures.
- Less public investment in innovations brought about by scientific and technological advances. In 2015, the level of public and private source investment, in relation to national Gross Domestic Production (GDP), was the same as in 1963.
- Global economy
- Ability of vested interests to affect policy and promote self-interests over common good

The results speak for themselves nationally and locally:

- The United States suffers from a creation problem—perhaps for the first time in its history. We are experiencing less growth and entrepreneurship compared to other developed nations. Firm creation significantly diminished with each of the last four recoveries. The U.S. economy added only 104,600 firms between 2010 and 2014, compared to nearly half a million from 1983 to 1987.

- The Duluth/Superior area start-up rate ranks in the lowest 20 among all metropolitan areas in the U.S. The start-up rates in Northwest Wisconsin communities parallel that of Duluth/Superior. They are even further disadvantaged by few modes of transportation and transportation costs.
- Most jobs at present pay low wages with few benefits. The future as projected in many workforce reports offers more service jobs at low wages and no need for higher education. While we currently have a solid base of educational attainment among our people, they foresee the largest portion of jobs would require a high school degree or less. (12) Fortunately, this dimming of the hope of upward mobility is not being echoed in recent local Ashland and Bayfield County discussions. Rather people are focusing instead on maximizing one of our greatest resources-the fact that we produce people who are intelligent, critical thinkers.

What is the Impact on Ashland and Bayfield Counties?

For rural areas, such as Ashland and Bayfield Counties, we have been slogging through the past three decades, mostly fending for ourselves. For many years, local economic development specialists tried hard to attract manufacturing back into the region with tax incentives and land write downs. Ashland and Bayfield Counties has a total of four partially filled industrial parks. The reality was that old-style paper mills and mining operations did not come back.

Potential business owners say they would relocate to the region but cite the lack of skilled workers as a major deterrent. Take the example of our medical services. There is an existing and projected shortage of health care workers at all levels. There is also a shortage of local training programs.

Or, if one examines the prospects for skilled and/or highly trainable employees graduating from regional high schools, technical institutes, colleges, and universities, they are willing to work and live in the area except for the lack of jobs that offer adequate wage and benefit packages. For example, local schools which find it difficult within their resources to compete with urban and suburban school districts in teacher recruitment. This Chicken and Egg scenario accounts for a great portion of residential brain-drain and movement to more populated areas.

Desperation even made it attractive for some citizens to grasp at options that do not offer long term solutions but only examples of short term gain - the industrial garbage incinerator, siting of a nuclear waste depository, the taconite mine and the CAFO. All are heavily polluting enterprises which jeopardize the existing tourist industry and endanger community health. They also greatly diminish any potential to build the vibrant new sustainable economy needed to adapt to climate change, one characterized by local food production, research and innovative businesses related to natural resources like clean water, light manufacturing of regionally necessary products, tourism, and installation and maintenance of renewable energy facilities. Most of all they alter forever the unparalleled beauty of this place of which residents are fiercely proud.

On an up note, despite the confusion of national and state economic development policies for Ashland and Bayfield Counties, the area is now teeming with new ideas. The public push back on polluting industries has actually galvanized much new creative thinking about alternative economic development approaches. If one reads the Ashland and Bayfield Counties' Comprehensive plans you see language used in defining vision and choice of goals and outcome measures for development that is markedly different from the language used in older workforce development reports. It is a language that creates hope.

Further, it has become evident in doing this study that as we listened to a broad cross-section of community members who attended forums on jobs/small business/development models, the region is advancing its own brand. It reflects a people proud of their heritage of making things with their hands, making do in adverse circumstances, and willingness to rely upon their resiliency, creativity, intellect, openness to new ideas, to face the future with optimism. Their profound sense of place makes them willing to deepen their connection to each other and the natural world we call home. Barriers and challenges are acknowledged, but a rich discussion has begun on solutions and actions needed to meet the challenges of a new economic paradigm.

(A fuller discussion of workforce issues with supporting statistics, data, analysis and rationale leading to action can be found in Appendix A, A1 and A2)

III. K-12 Public Education, Seen for Centuries as the Key to Upward Mobility and Democracy has Sustained Cuts and Become a Scapegoat for the Problems of Increased Poverty

Government is instituted for the common good; for the protection, safety, prosperity, and happiness of the people; and not for profit, honor, or private interest of any one man, family, or class of men.

John Adams, American Patriot and President

Ashland and Bayfield County residents are justifiably proud of their public schools and readily assert that quality public education is a keystone to any revitalized economy and any living wage employment. Yet, between 2008 and 2016 Wisconsin cuts to public education have been among the largest cuts in the nation - 12.7 percent - with revenue limits for funding schools only inching up slightly. For several years, there has been no increase to the state's revenue cap, which limits the amount of money school districts can raise in their local districts. This fact, combined with the extreme cuts already made to state support for local districts, means that for the first time ever Wisconsin will be below the national average for per pupil spending.

At the same time that these extreme budget cuts and policy changes have happened, Wisconsin has embarked on a privatization plan for public schools. Privatization of public school funding in Wisconsin began in 1990 with the Milwaukee Parental Choice Program (MPCP), which was the

first publicly funded voucher program in the US. Wisconsin now has a statewide voucher program that is the largest in the country with 261 schools and more than 33,700 students taking part. (See Appendix B)

For the 2016-2017 school year, the Washburn School District had two voucher students and Ashland had fifteen. Using the estimated amount of \$7,300 per regular education student, you can see, for example, that Ashland could have an additional \$109,500 deducted from their state aid. And with the promise of continual statewide expansion of the voucher program, each public school can realistically expect an ever-increasing budget deduction for vouchers in their own district. (\$7,300 elementary, \$7,900 secondary, \$12,000 special education) The eligibility income level for the 2016-2017 school year is generally 185 percent of the poverty level and in some cases 220 percent.

The question must be asked: Why this privatization? Are people dissatisfied with public schools? Are public schools failing? Does research show that vouchers produce superior results?

The research shows that the answers to those questions is “no.” In a March 2017 Marquette University poll, 74 percent of Wisconsin residents interviewed were satisfied with the job their public schools were doing in their communities. Public schools outperform private schools and charter schools where the poverty rates in the public schools are under 10 percent and, in fact, the public schools score among the highest in the world. (13)

Clearly voters in Wisconsin support their local school districts. In April 2016, there were 87 school referenda on the ballot and 67 of them passed. That is a 77 percent approval for public schools in our state. In fact, during this past year in all elections, 88 percent of the requests for school districts to exceed revenue limits to fund important school projects passed.

Furthermore, according to recent national polls, Americans overwhelmingly want charter schools to be more accountable, have less selective admission policies, employ better-trained teachers and refrain from harming traditional local schools by siphoning away precious taxpayer funds.

Poverty is the real problem behind children not thriving in schools, not teachers, or the fact that schools are publicly operated. As poverty, has increased in Ashland and Bayfield counties and the safety net has been reduced, the burden for dealing with the problems of family disintegration, homelessness, food insecurity, drugs and alcohol addiction has fallen more and more on teachers and administrators.

Following are the changes to the percentage of children in our local school districts who qualify for free and reduced lunch:

| | <u>2008</u> | <u>2015</u> |
|----------|-------------|-------------|
| Ashland | 51% | 57% |
| Bayfield | 71% | 100% |
| Washburn | 38% | 43% |

The University of Wisconsin Institute for Research on Poverty claims that living in poverty can put children at risk for health and behavioral problems and that emerging evidence may also suggest that living in poverty may alter how the brain grows, suggesting implications through adulthood, further exacerbating income inequality.

A new study commissioned by the Association for Equity in Funding (AEF) found that disparities in school funding among school districts have negative effects on student achievement. The study reports that schools with the highest levels of student poverty are also typically seeing the greatest negative effect of funding disparity. Thus, the Forward Institute concludes that the quality of educational opportunity in Wisconsin now largely depends on where a student lives and the relative affluence of a student's family and community.

(See more in depth Education Committee Report in Appendix B and B1)

IV. Cutting Supports for Our Most Vulnerable Families Only Further Drags Down Local Economic Growth

“We will be remembered, not for the power of our wealth, but for the power of our compassion. Our dedication to human welfare.”

Hubert Humphrey

Shortage of Sound and Affordable Housing

Given the problem of wage stagnation it is not surprising that for the first time in many years a lack of affordable housing has risen to the forefront of public attention. All three housing authorities in Ashland and Bayfield Counties have waiting lists. Advocacy around the issue of homelessness has risen. Since 2015, the nonprofit organization Ashland Cares has mobilized to help the homeless and advocate for a homeless shelter. Increasing low income rental or homeownership assistance is not on the radar at either the state or the federal level

The average fair market rent for the City of Ashland is \$658 per month. (14) On top of this most renters pay the utilities for another average of \$110/month. For a household to pay no more than 30 percent of their income for housing (the federal standard for housing affordability), they would have to make an annual income of \$27,648 (@\$13.25/hour). With median incomes of \$39,172/year (Ashland Co.), or \$45,158/year (Bayfield Co.), families in both counties are struggling to find housing within one third of their annual income. The working poor are now competing for a finite amount of subsidized low income rental housing with indigent elderly or people with disabilities who are on fixed Social Security or Disability incomes of only \$750-1100/month.

There is also a shortage of affordable housing to buy in both counties. The 2017 average cost of homes for sale in Ashland County was \$89,000. In Bayfield County, non-recreational residential

property was selling for approximately \$120,000. Even with a 10% down payment (banks prefer 20% down) and a fixed 30-year mortgage rate of 4.7%, plus insurance, taxes and utilities, home ownership is often absorbing close to 40% of local buyer's incomes. WHEDA (WI Housing and Economic Development Authority) does offer limited low income home ownership subsidies, but they are usually exhausted by mid-year, the summer buying season. (15)

Not only is affordable homes for rent or sale an issue, the regional housing stock as a whole is aging, with some deteriorating beyond repair. In Ashland County 35% of the housing units were constructed prior to 1939 and many have not been substantially brought up to code. (16) Electrical installations are outdated and do not meet common modern demands. Plumbing/septic units are old and increase risks for lead exposure and higher contamination by coliforms especially during higher rainfall episodes. Energy efficiency (insulation/windows) is inadequate. Roofs leak causing structural damage and mold growth. These deficiencies not only create health risks but also make for prohibitive rehabilitation costs. The Ashland County Housing Authority which serves the entire region, has at minimum a one year waiting list for programs intended to address the deficiencies in the older housing stock.

Food Insecurity

The cost of food has also been rising while food supports have been cut. Wisconsin Department of Health Services' 2015 data shows that 4,137 of Ashland County residents, 26.11 percent of its population, received FoodShare, and that 14.36 percent of Bayfield County residents (2,151 people) were recipients. The BRICK Ministries' internal service data reiterates the need of the low-income population. In 2015, its Food Shelf Program served 2,478 unduplicated individuals, over eight percent of the two-county population. It reached 19,380 total people, and served an average of 1,615 individuals per month, over five percent of the population. Children made up nearly 31 percent of those served, and over 15 percent were elderly. Average monthly participation increased nine percent from 2013 to 2014, and increased almost six percent from 2014 to 2015.

Access to FoodShare has been cut several times in the last two years. In 2015, the FoodShare Employment and Training (FSET) requirement was implemented for certain single adults to be eligible for FoodShare. Failure to comply results in 36 months of ineligibility. Anecdotally, singles who utilize FoodShare report a benefit of only \$16 per month in food assistance.

Cuts in Child Care Subsidies

Since today's cost of living requires that both mothers and fathers work, the cost and availability of child care is one of the bigger economic burdens that middle class and working class families face in Ashland and Bayfield Counties.

The MIT Living Wage Calculator for Ashland County reports that a family of two working adults and two children expends \$15,969/year for childcare. That means that many low-income families must depend on child care subsidies or patch together unpaid supports of some kind. Wisconsin Shares subsidies are available to families who have children younger than 13 and an income below 185 percent of the Federal Poverty Level. Ninety percent of those subsidy dollars come from the Federal Government.

Wisconsin has been seen as a leader in providing high quality, innovative childcare. However, since 2011 the State of Wisconsin has cut the reimbursement rates they have been willing to pay providers and now Wisconsin Shares pays well below the market rate for child care according to the Wisconsin Council on Children and Families. (17) Since reimbursement rates do not adequately cover child care prices, parents funded under Wisconsin Shares also now contribute much more than their normal co-pay.

The result has been that the number of parents and children participating in those programs has gone down. This has reduced the number and availability of quality child care providers in Ashland and Bayfield Counties and contributed to waiting lists. This has increased the burden on working families in Ashland and Bayfield Counties and contributes to a less reliable workforce.

Cuts in rehabilitation and community support services for the elderly and persons with mental illness or alcohol/drug addiction, and physical disabilities, has increased the financial burden on local communities

The costs of neglecting care for elders and people with disabilities in Ashland and Bayfield Counties seriously compromises the welfare of the whole community. Historically in Wisconsin, counties are vested with the primary responsibility for their wellbeing, treatment and care. In the past Wisconsin, has taken a leadership role in innovative long term care programs. Both Ashland and Bayfield Counties have been praised for their in home and community support programs, their supported employment for people with disabilities, their drug court, and their trained police interventions.

In 2017, despite valiant ongoing work by local human service agencies, this reputation is now jeopardized by declining state and federal funding. Stagnant or low provider reimbursement rates now make for major personnel problems recruiting qualified workers and high staff turnover. Proposals to block-grant Medicaid funds, essentially capping service dollars for the elderly and persons with disabilities, only further threatens the local capacity to provide adequate care and treatment.

Also, maintaining programs for alcohol and drug treatment is uppermost in importance for both Counties since chemical addiction is one of the key social problems in both Counties. Ashland County has the distinction of having the highest percent of newborns born addicted in the state. (18)

Since the long-term care buck stops at the County level, withdrawing safety net investments makes neither humanitarian nor economic sense. Family members requiring long term supports will not go away. They will still need levels of care and treatment that have long been recognized as beyond the capacity of families alone to provide. Inadequate care and treatment options only escalates medical and law enforcement costs and greatly contributes to community dysfunction in homelessness, child abuse, and decreased economic productivity.

The Special Issue of Block Granting Medicaid to the States

Medicaid is not only a health insurance program for the very poor, but it is also the main source of funding for a wide variety of aging and disability services. Wisconsin spends approximately fifty percent of its Medicaid dollars for long term care services. About seventy percent of the residents in Ashland and Bayfield County nursing homes receive their care through Medicaid funds. It also covers the treatment for indigent people with mental illness and drug and alcohol addiction. It also finances in-home supports and employment services for people with developmental disabilities and mental illness. All this has meant the difference for our elders and people with disabilities between institutionalization or community living.

“Block-granting” the program will transform it from a guaranteed benefit to an annual lump sum payment to states, severed from any calculation of the need for services. If the number of people needing these services increases, or costs increase, a block grant will not adjust to meet that rising demand. Currently, as a federal program, the government matches each dollar spent by states. This helps state policymakers to make new investments toward eliminating waiting lists. However, without the guarantee of matching funds, states will find it difficult not only to sustain existing services, but also to accommodate any unmet need.

V. The Cost of Health Care Is Unsustainable

"Medical costs are the tapeworm of American economic competitiveness."
Warren Buffett addressing the shareholders of Berkshire Hathaway, 2017

Health care hyperinflation is a source of severe stress on Ashland and Bayfield County families and small businesses. Even with the Affordable Care Act (ACA), health insurance premiums in Ashland and Bayfield Counties remain some of the highest in the State and in the US. They even remain out of reach for many local people covered by their employer plans. The average cost of health insurance premiums for a family of four in northwestern Wisconsin for 2017 is \$9,400 per year. (19) The US Supreme Court decision to allow states like Wisconsin to reject the ACA Medicaid expansion further curtailed access to affordable health care for the most hard up working families in both Counties.

Given regional farm and small business incomes, and regional wages, annual expenditures at that level are unaffordable. A common statement for many two income families is that the second

breadwinner is “working totally just to cover our health insurance. Health insurance premium rate inflation has also forced many local employers to require ever higher employee contributions to their health insurance plans, or reduced their coverage to cheaper plans with high deductibles and co-pays, or only catastrophic coverage. It is also one of the biggest reasons local employers have been unable to raise wages.

The problem with both the Affordable Care Act and the Trump administration’s proposed replacement is that they are trying to fund an overpriced medical system with restricted taxpayer funds, without capping costs. US health care costs in 2016 averaged \$10,345 per person, for a total of \$3.35 trillion dollars, a full 18 percent of the entire economy, twice as much as in any other industrialized nation.

The chief reason health insurance companies are dropping out of providing health insurance under the Affordable Care Act is because they cannot make a reliable profit. They are finding that if they cannot exclude people with pre-existing conditions, or cover the end of life medical needs of the elderly, they cannot make enough profit. They also cannot make enough profit if drug prices continue to escalate. On the other hand, doctors and hospitals are finding the opposite. If the Affordable Care Act is dismantled they will have to return to serving millions of people who have no way of covering their bills. Eighty percent of household bankruptcies are due to medical bills.

The evidence in health care economics is that our current system of providing of health care through private insurance companies does not work. Seniors, who have increasing health care issues and are no longer on any employer health insurance plan, cannot afford to buy health insurance and need Medicare. Low income Americans in poverty are priced out of any health insurance and need Medicaid. The working poor and very young workers with low wage jobs that either do not offer health insurance or insurance that is affordable, are the ones that the ACA attempts to cover, but without subsidies they will not buy insurance.

After sixty years of debate it is no wonder that the majority of Ashland/Bayfield County residents favor a “Medicare for All” type of national health plan. Polls consistently show that upwards of 60 percent of the American public now want a national health plan. A recent Gallop poll finds that even 41 percent of Republicans favor replacing the ACA with a “federally funded health care program providing insurance for all Americans.”

Taking the burden of financing health care off our families and local businesses would be a great boost for our local economy. It would help small businesses make their operating costs much more predictable and make them much more competitive in the global marketplace since US medical costs so exceed those of any other nation on earth. It would also make owners and employees more secure and stable. Workers could change jobs, decide to invest in a business, or retire early without worrying where their health care would come from. Our local economy would benefit by everyone having more discretionary income to spend.

Families would have the comfort of knowing that they can get health care when they need it without having to choose among other needs such as shelter and food. They could also get coverage for dental, vision, and hearing. They would no longer have to worry about financial ruin or losing their home if someone had an accident or a serious illness. People would be healthier.

So here's where the wealth divide has come into play

Health care is a big money maker for a segment of our economy – CEOs and stock holders of health insurance companies, the pharmaceutical industry, and some large physician consortiums. They have long opposed a national health plan. What have been their arguments and are they really true:

- *Private insurance allows health care decisions to be made between the patient and their health care provider.* As most of us experience health care decisions are currently made according to whether or not your insurance plan covers the procedure. To protect their profit many insurance companies, decide what health interventions they will pay for, despite the science supporting a preferred mode of treatment.
- *Private insurance allows people to choose their own doctors, hospitals and other health care providers.* This is also not true. Inflationary health care costs have also required health insurers to place restrictions on choice of which clinics and hospitals you can utilize.
- *Inventing new drugs is expensive and without current profits there would be no incentive to research new drugs.* All our new life saving drugs are not the exclusive result of research by drug companies. Many result from research at universities and federally funded research institutions, or by foreign companies in countries with national health plans.
- *Our health care system delivers the highest quality care with the best outcomes.* Sadly, this is true only for the very richest Americans.

Phil Klein, a top conservative health care expert, is now counseling conservatives to stop misrepresenting their goals and be straight forward, that they “don’t believe that it is the job of the federal government to guarantee that everybody has health insurance.” (20)

There is an alternative, a “Medicare for All” Plan.

In its non-partisan 1992-1994 study of health care, the League of Women Voters-US asserted that a healthy country needs a healthy population. That means a health care system that provides health care for everyone. The only way to do that cost effectively was to move to a tax funded single payer system. It was much less costly to administer (Medicare costs 3 cents on the dollar vs 30 cents on the dollar for private insurance companies). It means the buyer could also be a

stronger negotiator and facilitator in reining in costs. All studies have shown that the amount that would have to be contributed in taxes per household or business would be lower than what is currently being spent for private insurance plans. This would not be “socialized medicine”. That is where the government does both the financing and delivery of health care.

So what would a quality “Medicare for All” Plan look like? Everyone would have a health care card that they could use at the health care provider of their choice anywhere in the United States. It would cover all medically necessary services from birth to death including dental, vision, hearing, long term care and mental health and chemical dependency treatment. It would be paid for by a progressive tax plan, the higher your income the more you would pay. Health care would be put back into the hands of patients and their health care providers making health the bottom line. Doctors and health care workers would have more time to spend with their patients instead of complying with insurance company time limits or daily patient caseload requirements, or filling out paperwork and haggling with insurers. Instead of focusing primarily on how to ensure profits, public policy would focus on what is needed for a healthy population and the methods to create an efficient high quality health care delivery system.

This is not rocket science. It is done by every other advanced industrial country on the planet, and even by a number of developing countries.

VI. Unfair Tax Policy is at the Root of Inequality and Disadvantages Ashland and Bayfield Counties

Ending the tyranny of big money corruption isn't partisan – it's patriotic. It's essential to preserving the most deeply held values and beliefs we share”.

Former Republican Senator, Alan Simpson- Wyoming

Over the last three decades there has been a major shift in who pays taxes in the US. Middle class families and individuals have correctly perceived that they are now carrying more and more of the burden. What this has meant for the Chequamegon Bay Area is that as the years of tax cuts for the wealthy have accumulated, and tax evasion has become the norm, millions of dollars of delayed infrastructure repair has accumulated. It has also impoverished our public schools, our human service programs for our elders and those with developmental disabilities, our treatment and rehabilitation programs for people with mental illness or those with drug or alcohol addiction, and even the Apostle Islands National Park.

As this disinvestment, has become more noticeable, Ashland and Bayfield County residents have soldiered on, replacing public dollars with whatever could raise from among themselves. And local communities have given generously. They have set up Friends groups to raise funds for our public schools and passed school referenda to upgrade our buildings from local tax dollars. Community members have volunteered hundreds of hours of time to schools. They developed Faith in Action and CORE to recruit volunteers to help support elders and people with disabilities.

They formed the Bad River Watershed Association to monitor stream quality. A Friends of the Apostle Islands raises money to support the National Park. All this effort is of great benefit and strengthens the community, but it is not realistic that it can replace state and federal investments. Nor should it. If everyone paid their fair share of taxes there would be enough money to support vital community functions.

How Did We Get Here?

It behooves us to review a little history of how taxes got shifted to the middle class and when economic inequality became so obvious. During the Eisenhower administration in the 1950s the highest marginal tax rate was 90%. Cutting taxes became a national demand in the 1980s. The resulting tax reform only resulted in cutting the taxes on the rich. Between 1981 and 1986 the top income tax rate was cut from 70 percent to 28 percent while taxes on the bottom four-fifths of earners rose. Coincidentally, this was also the beginning of the years of “supply side” economics, the popular economic theory that if the rich were relieved of some of their taxes they would invest and innovate, our economy would explode, and money would trickle down to everyone.

But the 1980s tripled the federal deficit. It also saw the Savings and Loan scandals and a collapse into a major recession. President G.H.W. Bush again lowered taxes modestly despite the rising debt. Faced with unsustainable debt, President Clinton raised top tax rates back up to 35 percent, and having the advantage of the economic surge from the tech era, left office leaving a comfortable federal surplus. President Bush, Jr., despite the trillion dollar cost of the wars in Iraq and Afghanistan, again made dramatic tax cuts for the wealthy. He reduced top tax rates and cut the taxes on capital gains from 35 percent to 15 percent. He also eliminated the estate tax. Coming in amid an economic collapse almost as dire as that in the 1930s, President Obama raised taxes on the rich slightly and reinstated the estate tax when the Bush tax cuts expired. The Trump administration budget proposes the most sweeping tax cuts for the rich yet.

Much more problematic than the see-sawing of tax rates has been the rampant growth in tax evasion by the mega-rich and America’s biggest corporations. The sharing of strategies and locations for off shoring one’s tax obligations has become a popular conversation item on the golf links. In 2015 more than 73% of Fortune 500 companies booked \$2.5 trillion dollars in off shore tax havens, with just 30 companies accounting for 66 percent of this total. It meant corporations are avoiding up to \$717.8 billion in US taxes. (21) Similarly very wealthy individuals and families now employ a stable of high priced lawyers, estate planners, lobbyists and anti-tax front groups to exploit and advocate for a blinding array of tax manipulations, all unavailable to middle class individuals or small businesses.

Unstable tax policy and tax dodging has not been fair to regular taxpayers and responsible small businesses. It has favored accounting tricks over healthy innovation and real productivity. It has meant a long period of austerity budgets resulting in a back log of unfunded needs at the grassroots. For decades, many rural county and municipal governments have been only too aware of the looming need to replace crumbling 100 year old infrastructure, but have postponed

action in the hope they might get some state or federal aid to help with the enormous cost. Now most of the cost of replacing storm sewers, upgrading sewer and water systems and fixing city streets is falling on local property tax payers, only at increased costs.

The promise that a reduction of taxes on the rich would result in increased wealth for all of us never came to be. Instead, that promise has only resulted in a staggering wealth gulf between the one percent and the 99 percent of the rest of us. And perhaps most distressing, it has resulted in a culture whereby the rich claim entitlement to this gross inequality. Gone are the days when owners felt gratitude for the role their workers played in producing their wealth, or loyalty to their communities (or even nations) that enabled and supported their enterprises. How could we have let all this happen? Here is where the story of “dark money” is finally coming to light.

WHOSE AGENDA IS IT? THE ROLE OF BIG MONEY IN OUR POLITICS

"That government of the people, by the people, for the people, shall not perish from the earth"
Abraham Lincoln

We all see our politics in Wisconsin and nationally awash with money from billionaires and big corporations. In 1960 there were 3,414 registered lobbyists who spent just over \$30 million lobbying Congress. By 2014 the number of lobbyists was 11,781 expending \$3.23 billion. (22) In 2015 for every dollar spent on lobbying by labor unions and public interest groups together, large corporations and their associations now spend \$34. (23)

Lobbying is not enough. Big Money is now the tsunami in electoral politics. It enables the hiring of skilled consultants to employ the latest electoral engineering tools for voter profiling and redistricting. It champions voting restrictions. Through groups like Freedom Partners Chamber of Commerce and Freedom Partners Action Fund it facilitates the recruitment, vetting and financing of candidates.

All of this is done to advance an agenda. Since this agenda is comprehensive, money is invested not just in legislative races at all levels, but also for judicial positions and school policy positions. For example, the Koch brothers' Americans for Prosperity even paid for publicity for candidates in the 2013 Iron County Board elections to promote supporters of the GTAC mine. These Big Money operations now even supplant those of our major political party national committees.

All this might not be a problem if the agendas of small business owners and working people of the Chequamegon Bay were compatible with those wielding Big Money. But their goals are not the same and this power of millions of dollars to influence the legislative and electoral process has greatly dis-advantaged grassroots voices. This is fundamentally undemocratic.

So what are the opposing agendas?

Let's look at the agenda of Big Money. If you go back and examine the agenda of the very rich in our country since the heyday of the Robber Barons, through the Progressive era at the turn of the 20th Century, through the New Deal, the 1960s, up to the present day, it has remained relatively unchanged: no income or estate taxes, no regulations for clean air/water or food and drugs that impinge upon their enterprises, no civil service to reduce the influence of money, no government investment in schools, health care, or a social safety net such as Social Security and Medicare, no minimum wage, no unions or worker protections such occupational health and safety, no national/state public goods such as parks, forests, libraries, or cultural enterprises such as radio/TV. The only role for government is a police and military one to protect business investments here and abroad and keep protesters and union organizers at bay. (See David Koch's 1980 Vice Presidential Libertarian party platform. Footnote 24)

Eighty years ago these far right views were articulated in the Liberty League, then the John Birch Society. They were considered fringe groups. After failing to elect Barry Goldwater in 1964, they

attempted in the 1970s and 80s to found the Libertarian Party. Failing in that, they became much more strategic. Now over the last four decades it is the children and the grandchildren of the Mellens, Bradleys, Reynolds, Olins, Kochs, DeVoses, Mercers, Waltons that use their inherited wealth to tenaciously maintain and aggressively advocate this same agenda. They work to promote it in a dizzying variety of ways and mostly in secret:

- **Think Tanks:** To mobilize spokespersons with respectable credentials they founded multiple think tanks such as the Heritage Foundation, the American Enterprise Institute, the Cato Institute and the Federalist Society. The task of these groups is to field a stable of “experts’ to champion free market fundamentalism, push anti-government sentiment and privatization, rally for de-regulation, and deny climate change.
- **Media Ownership:** To control reliable mouthpieces for their agenda they bought up newspaper chains and radio stations, underwrote talk show hosts such as Rush Limbaugh, Ann Coulter, Sean Hannity and Glenn Beck. In the early 1970s they founded Fox TV. To promote their opinions and influence elections, but hide their donors, they buy issue advertising through groups like Americans for Prosperity and Crossroads GPS. And while not all of them endorse white supremacist viewpoints, some of them do. It is no surprise that their biggest media markets are small towns and rural areas.
- **Lobbying Groups:** To reach people in ways beyond media and to especially sell a full legislative agenda to elected officials, they established multiple educational front groups like the American Legislative Exchange Council (ALEC), the Club for Growth, Freedom Partners, and the Council for National Policy. Since 1976 ALEC alone has hosted lavish annual seminars for public officials from Congress down to the county level. Participants attend issue seminars and then leave with legislation ready made for introduction into their legislative bodies. Hence we see bills that are similar often word for word in states all across the country.
- **Advocacy Campaigns:** To orchestrate grassroots advocacy campaigns around their policy issues they formed time limited shell organizations. Many of these groups were mostly just mailboxes through which donors could pass millions of undisclosed dollars. A few of many examples:
 - To oppose the Affordable Care Act they founded The Coalition to Protect Patients Rights (Koch Bros.).
 - To push the privatization of public education they formed the American Federation for Children (Devos).
 - To oppose campaign finance laws, they organized the James Madison Center for Free Speech (Kochs, DeVos, Mercer).
 - To push the elimination of taxes and Wall Street regulations they invented Americans for Tax Reform (grantee of the Donors Trust- multiple secret rich donors).
 - To oppose and discredit unions and the voice of Labor (the Bradley Fdn.)
 - Perhaps their most successful effort to make it seem like people were behind their agenda was their funding and organizing of the Tea Party (Kochs, plus a number of others).

- **Academic Mouthpieces:** To make sure their ideology was passed on to the next generation they also endowed economics, business and law chairs at public and private universities, starting with some of the most prestigious ones such as Harvard, Princeton and Stanford, but also the University of WI. The Koch brothers alone have now funded extreme pro-corporate libertarian programs at 283 four year colleges and universities. (25)
- **Military and Police:** Finally, to safeguard private property and support arms manufacturers, it is no surprise that they lobby to cut all federal programs except the military and the police. The US government spends \$600 billion dollars a year on the military, more money than the next seven biggest spenders combined, including China and Russia. Unfortunately, these annual authorizations now exceed the military's ability to financially account for their expenditure. This has led to unforgivable waste and fraud. The American public cannot help but question the wisdom of the US being perpetually at war in so many places around the globe and spending so much rebuilding the bombed infrastructure of foreign countries at the same time as we are failing to invest in our domestic health and economic viability.

Here's the Agenda Disconnect

While Big Money may have bought a lot of political power, poll after poll keeps showing that the majority of American people do not want the agenda of the 1%. Take minimum wage for example. Since 2014 public opinion consistently shows 66 percent favoring an increase to \$12/hr., with even a raise to \$15 an hour now getting 52%. (26) It is not a surprise that in November 2016 voters in Arizona, Colorado, Maine, and Washington approved measures increasing their minimum wage rates. In South Dakota 71% of voters refused to lower their \$8.50 minimum wage for teenagers to \$7.50 per hour. In a 2015 Small Business Majority poll 60 percent supported raising the hourly minimum wage from its present \$7.25 to \$12 per hour. They get the need for customers. (27)

Or in terms of taxes, today 64% of all respondents to polls (and 52% of those identified as Republicans) are "bothered a lot" that corporations "don't pay their fair share" of taxes. And 61 per cent, including 45 percent of Republicans, are equally bothered that "wealthy people" don't pay their fair share. (28)

A May 2016 Gallop poll showed that 58% of the American public favors a government funded single payer health care system as a replacement to the Affordable Care Act. Another 2016 Gallop poll gives a solid majority (59%) to tax supported universal childcare and pre-K programs, with only 26% opposed. In a January 2017 Gallop poll 69% of Americans favor more government spending on modernizing infrastructure with only 26% supporting the building of a wall between the US and Mexico.

Yet, year in and year out, one just needs to look at whose interests are primarily being served by the bulk of the legislation passed in Congress or our state legislatures. For the past three decades it has been tax cuts for the rich, cuts in environmental and worker protections, a costly and

ineffective health care plan, privatization of public education/prisons/pensions, cuts in programs for the poor, no public investment in common goods such as roads, internet, or a modern energy grid, no comprehensive approach to climate change.

In addition, there is no evaluation of the outcomes of these privatization policies. From private-for-profit colleges (particularly those online), private charter schools, for-profit private prisons, privatizing military services, for-profit economic development authorities, even Wall Street hedge fund management of endowments/pension plans/401ks, the results from privatization show no better outcomes, often worse ones, than the government run programs. And in almost all cases these policies have not saved taxpayer dollars, they have cost more money. (29) Sadly in some cases they have bordered on criminal behavior from disadvantaging the skill levels of college graduates and saddling them with fraudulent debt, to providing avenues for outright graft and corruption such as in the military. (30)

Here's where "fake news" comes in. If what you are selling is not popular, and does not produce positive outcomes, what must you do? You employ public relations firms and media outlets to sell your policies under a flurry of misleading propaganda. Label it something appealing and then do just the opposite. Talk about a policy in terms of helping one population, but know it is really meant to advance your own bottom line. If it gets exposed as false, well no problem, at least some people believe the falsehoods. Sometimes you even resort to reprehensible mudslinging to discredit your opposition.

What's been the overall impact on our political process from all this economic inequality? The longer American families and small businesses are economically distressed, the more the public is misled and confused, the more cynical they become that anyone has their back and that "government" is ever meant to serve their interests. That is a scary prospect for the US. That is the nature of a "banana republic" where the citizenry has lost all faith in their government. Here is how we lose the democracy that our parents and grandparents, and the generations of our forefathers/mothers fought so hard to defend for 241 years.

What Can We Do About This?

Fortunately, at the very grassroots democracy is alive and well. In Ashland and Bayfield Counties our democracy still flourishes. Local elected officials are held accountable. They cannot fabricate an agenda that says one thing and does another. Their constituents watch them closely. They have newspapers and word of mouth to stay informed. Unpopular decisions whether on the school board or the City Council are challenged. Public hearings are held. Elections are honest. People are not restricted from voting. Our Courts are honest. We still employ jury trials.

If we are serious about improving our economic wellbeing and reversing wealth inequality in Ashland and Bayfield Counties, we need to push back. Starting here at the grassroots we need to build our own new economic agenda based on what we want: jobs with living wages, fair taxes, affordable health care, quality public education, infrastructure investment for a livable planet, healthy food production, preparation for climate change, and an honest government that works for its people.

We can have that productive discussion of what is the role of government vs. the corporations and Big Money, and the balance between the free market and government in creating a prosperous and sustainable economy. We can demand compliance with our constitution, our laws, and our ethics. We are probably more united on all this than divided.

Let's put ideology and partisanship aside and do what is necessary. For instance, we won't solve our public schools' problems unless we address our poverty problems. We cannot solve our poverty problems unless we pay living wages enabling people to cover the cost of health care, food, housing, child care and transportation. We cannot solve our school or our poverty problems unless we have fair tax participation. The middle class cannot afford to shoulder as much of the tax burden as they are. We cannot get fairer taxes until we get money out of politics.

Democracy in America is up to "we the people." We have no other choice. Let's begin right here at home in Ashland and Bayfield Counties. This is how we show what the northland is really made of, for ourselves and for our children and grandchildren, and on down to the "next seven generations."

An Ashland and Bayfield Counties Agenda to Help Restore Economic and Political Balance

❖ *To make democracy work, to promote economic fairness, and to utilize and build on our greatest assets as a people who are creative and resilient, the LWV of Ashland and Bayfield Counties encourages local citizens to:*

1. Build economic development strategies focused on “living wage” jobs/sustainable livelihoods.

- **Encourage municipal ordinances that set an expectation for movement toward living wage and gender pay equity.**
- **Encourage Anchor Institutions (colleges, medical facilities, banks, government agencies/schools) to purchase more locally at “living wages” to enable more regional wealth retention.**
- **Design “Buy Local” campaigns in ways that help our communities understand the multiplier effect of keeping more dollars circulating close to home.**
- **Generate an ethos of “import replacement” among the Chambers of Commerce, community banks, local governments, economic development organizations.**
- **Work with local officials and businesses to set goals to support an increase in the minimum wage to at least \$15/hour by 2020.**
- **Eliminate the gender pay gap** - Attention to this inequity will put more money in the pocketbooks of single women and women heads of households. That can only make our local economy more prosperous.
- **Expand local investment opportunities for both residents and seasonal visitors** - eg. offer local IRAS or CD investment opportunities in local revolving loan funds.
- **Foster innovation and entrepreneurship in already identified growth areas** – eg. renewable energy installation/maintenance, housing renovation and expansion, infrastructure modernization, regional food production, the emerging regional focus on fresh water.
- **Monitor Wisconsin Technology Council’s activities to ensure that Ashland and Bayfield Counties take full advantage of programs** – e.g. student FabLabs, business support services, mentorship opportunities for new entrepreneurs

- Encourage cooperative and worker owned alternatives as way to pay higher wages and keep local jobs from being outsourced
- Explore small business collaborative model such as Coop Housing to develop affordable housing for seasonal employees
- Promote collaboration among similar industries/resource areas as way to stimulate innovation, job creation and training
- Promote periodic stakeholder visioning sessions like those held for the Ashland Comp Plan to enable consensus to form around proud regional values and vision of the sustainable economy people want to create.
- Democratize our workplaces to ensure that workers have a voice in their compensation and working conditions.

2. Build the skills and education of Ashland/Bayfield Counties' workforce.

- Invest in public education and work to ensure that state funding for public schools be revised for equity across the state. Maintain statewide expectations for student performance as opposed to delegating that to the district level.
- Rollback legislation for tax-payer funded vouchers for private and for-profit schools.
- Champion "critical thinking" as an essential outcome for public education.
- Raise public awareness to the risks and vulnerabilities to local control especially for schools.
- Support programs that address the nutritional and educational needs of pre-school children.
- Encourage parents to increase involvement in their public schools.
- Increase involvement/engagement of local elected and appointed officials in school events and issues.
- Collaborate with local school boards to identify areas of teacher recruitment/replacement that addresses educational knowledge or skills gaps in projected job growth areas.
- Continue to promote investment and leadership in building career pathways and bridges, from adult basic education into skills training and other occupations, that position our youth to competently meet the challenges of new technology, climate change adaptation, food production and security, and a full cultural life.

- Educate ourselves about job training and apprenticeship models that have proven successful in foreign countries.
- Offer free Tech School training and affordable college and graduate education

3. Support working families.

- Expand access to paid family leave and sick days so that we can adequately care for our children, elders and worker health
- Expand access to quality, affordable child care and promote Head Start.
- Advocate for universal early childhood education.
- Develop a transitional job training and safety net plan for citizens when economic or environmental events disrupt their livelihoods
- Make solid community re-integration pathways for veterans, people with disabilities and those released from incarceration.

4. Ensure that workers and businesses have access to affordable health care.

- Advocate for a “Medicare for All” health insurance program.
- Advocate to retain the Affordable Care Act in the transition and oppose block granting Medicaid to the states. Maintain access to Northlakes Public Health Clinic to work with the underserved population.
- Encourage collaboration between partners in the local health care industry to ensure that rural areas have comprehensive health care.
- Enhance recruitment of a trained health care workforce by support for educational programming and scholarships based on commitment to return to local service.
- Strive to pay competitive salary/benefit packages in critical need health professions.
- Participate in wise health care planning. Expand community access to Preventative Health Education and Services/Programming. In view of the health threats from climate change born diseases strengthen our public health departments.

5. Make state and federal taxes fairer across income groups and between small and large businesses.

- **Offer opportunities for public discussion about fairness in taxation and what array of services should be paid for by taxes.**
- **Re-instate Wisconsin's progressive income tax. Raise the top marginal tax rate on the wealthiest 1% and close tax loopholes.** We can slow the growth of income inequality by reforming regressive taxes and making sure that residents with high incomes pay at least as much taxes relative to their income as people with lower incomes do.
- **Ensure fair taxation between small businesses and big corporations**
- **Raise the estate tax and eliminate the "stepped-up" basis for determining capital gains at death.**
- **Tax capital gains as any other source of income.**
- **End corporate and individual tax evasion by closing loopholes such as Wisconsin's Manufacturing and Agriculture Credit, outlawing off shore accounts,**
- **Advocate to reverse cuts made to the Earned Income Tax Credit** - In fact, an estimated one out-of-five eligible workers do not claim the EITC. That's money left on the table that doesn't make it into the pockets of hard-working Wisconsinites and our local economies. Congress should also significantly increase the small Earned Income Tax Credit for adults who do not have dependent children. That would help make work pay for childless adults
- **Strengthen the Homestead Tax Credit**, which provides property tax relief to homeowners and renters with low incomes.
- **End subsidies for fossil fuel companies and implement a carbon fee and dividend program.**

6. Offer opportunities for a robust public discussion about the investment roles of both State and Federal government and the free market in creating a prosperous economy in rural Wisconsin:

- **To modernize our infrastructure- roads/rail/internet/mass transit.**
- **To provide a national health plan.**
- **To build affordable housing.**

- To educate ourselves about globalization and what a fair trade policy would look like for our rural area.
- To restrict public funding to public schools

7. And to do all of this we need to get Big Money out of Politics

- End gerrymandering by advocating that a non-partisan commission establish districts.
- Advocate for public financing of campaigns.
- Make it easier for people to register and exercise their right to vote.
- Restore our non-partisan election oversight agencies to ensure the process is smooth, honest and open to all citizens.
- Sponsor Town, Municipal and County resolutions to overturn the *Citizen's United* US Supreme Court decision.

FOOTNOTES

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The Good News

The Not So Good News

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 - We advocate the complete separation of education and State. Government schools lead to indoctrination of children and interfere with the free choice of individuals. Government ownership, operation, regulation, and subsidy of schools and colleges should be ended.
 - We condemn compulsory education laws, which spawn prison like schools with many of the problems associated with prisons, and we call for the immediate repeal of such laws.
 - We support repeal of all laws which impede the ability of any person to find employment such as minimum wage laws.
 - We call for privatization of the inland waterways, and of the distribution system that brings water to industry, agriculture and households.
 - We favor repeal of the fraudulent, virtually bankrupt, and increasingly oppressive Social Security system. Pending that repeal, participation in Social Security should be made voluntary.
 - We oppose all personal and corporate income taxation, including capital gains taxes.
 - We support the eventual repeal of all taxation...As an interim measure, all criminal and civil sanctions against tax evasion should be terminated.
 - We oppose all government welfare, relief projects, and "aid to the poor" programs. All these governmental programs are privacy invading, paternalistic, demeaning and inefficient.
 - We support an end to all subsidies for child-bearing built into our present laws, including all welfare plans and the provision of tax-supported services for children. The proper source of help for such persons is voluntary efforts of private groups and individuals.
 - We favor the abolition of Medicare and Medicaid programs.
 - We support the abolition of the Environmental Protection Agency.

- We support the abolition of the Department of Energy.
- We urge repeal of federal campaign finance laws, and the immediate abolition of the despotic Federal Election Commission.
- We call for the dissolution of all governmental agencies concerned with transportation, including the Department of Transportation, the Civil Aeronautics Board, the Federal Maritime Commission, Conrail and Amtrak.
- We demand the return of America’s railroad system to private ownership. We call for the privatization of the public roads and national highway system.
- We advocate the abolition of the Food and Drug Administration.
- We call for the repeal of the Occupational Safety and Health Act.
- We oppose all so-called “consumer protection” legislation... and call for the abolition of the Consumer Product Safety Commission.
- We specifically oppose laws requiring an individual to buy or use so-called “self-protection” equipment such as safety belts, air bags, or crash helmets.
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STUDY METHODOLOGY

At their 2014 Annual Meeting the LWV/ABC voted to undertake a study of the impact of income inequality on Ashland and Bayfield Counties. Jan Penn and Linda Jorgenson volunteered to chair the study group. About 11-15 people started meeting every month. They eventually broke into three Committees around the topics: 1. Employment/Wages and Benefits; 2. Public Schools; and 3. Government Services and Taxes. Each month they would alternate between meeting as committees and meeting as a whole. The Resource list resulted from Study Group research.

Six community education events were also organized to share information generated from the study and also help frame conclusions and recommendations. Funding for these events came from the PACE Foundation and the Duluth-Superior Area Community Fund. The education events were as follows:

- **November 17, 2015 - *Education, Inc.*, a movie, co-sponsored with the Bay Area Film Society at 7 PM StageNorth in Washburn.** The film examined the issues facing public schools around the country. A panel of school teachers and administrators commented on the film afterward.
- **January 11, 2016 - a forum featured UW Madison Education professor, Julia Meade, on her research on the outcomes from privatizing public education.** It was held at the Northern Great Lakes Visitors Center and also featured a response panel of local educators.
- **April 29, 2016 – a forum co-sponsored with WITC-Ashland featured Laura Dresser, Associate Director of the UW-Madison Center for Wisconsin Strategy. She spoke on “What’s Going on for Working Wisconsin and What Can We Do?”** It was held at the WITC Conference Center and also included a response panel of local people with expertise in business and workforce issues.
- **June 22, 2016 – a forum in partnership with the Northland College Center for Rural Communities and WITC, featuring Sarah McKinley, from the Democracy Collaborative in Washington, DC.** She presented her research from visiting US cities noted for their innovative strategies for growing more prosperous local communities. This was held at the Northern Great Lakes Visitors Center and also included a response panel.
- **March 23, 2017 - a book discussion of Jane Mayer’s *Dark Money*, and Katherine Cramer’s research on Wisconsin’s current political climate entitled *The Politics of Resentment*.** This discussion was held in the community room of the Washburn Public Library.
- **March 30, 2017 – a forum with Matt Rothschild, Director of the Wisconsin Democracy Campaign to address the influence of ‘big money’ on Wisconsin policy and elections.** It was held at the Northern Great Lakes Visitors Center.

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This report is the result of many community member's ideas, suggestions and support. We would like to thank those many community leaders who shared their time and input in interviews, or agreed to serve as response panelists for our public forums. Special thanks to WITC and Northland College for partnering with us on our economic development forums. A final special thanks to those friends and colleagues that read this document for cogency, grammar and typos!

We are **especially** grateful to the following people that have put in their time and effort to make this study happen. This document is the result of their efforts.

Study Group Members

JoAnne Katzmarek
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Government Services, Health Care and Taxes: Liz Seefeldt, Linda Jorgenson

Influence of Big Money: Linda Jorgenson

Finally, we are grateful for the national League of Women Voters. For 97 years, they have been educating, engaging voters, protecting our rights as citizens. They have been studying and speaking out on issues of the day that concern all of our lives. We are proud that the LWV of Ashland and Bayfield Counties has worked tirelessly to "make democracy work" for 61 of those 97 years. The LWV/ABC approved this study to be released.

Our heartfelt Thanks to all of you. Linda & Jan

APPENDIX A – Workers and the Workplace

Economic Inequality Study – Workers and the Workplace

This aspect of the Economic Inequality Study will elaborate and build on the data presented in the body on the full Study. This Appendix will evaluate the characteristics and changes in our workforce/laborers, as well as the workplace itself. The report will identify the drivers of change, barriers or challenges and the unique strengths of the region. These details lay the groundwork for advancing the work of citizens in Ashland and Bayfield County in branding or putting forth vision of who we are and what we see for the region. The influence of the global economic paradigm shift will be detailed as well.

A shared vision is then the driving force for the democratic process involving citizens, businesses, government and local institutions in laying out an action plan for an economic development that leads to equality and dignity of those calling Ashland/Bayfield County home.

INTRODUCTION AND OVERALL CONTEXT

Readers have been introduced to the current data on economic inequality and the impact on life in the region. Prior to undertaking this study, the LWV/ABC recognized that the issues/studies we have been addressing, in particular the impact of mining and CAFO's on air and water quality, identified a divide in the community driven by in essence economic inequality. As a driver, the inequality contributes to the lack of a defining image of who we are as a people and place. This has opened the region to others stepping in and telling us what we need and who we are. This is not a new story.

The North has a long history of buying into the “boom and bust” economy, much of this based on ample natural resources in combination with a hardworking labor force determined to “make living in the North work somehow.” (Reference history of lumber, mining and resource extraction) In reflection, as recent development proposals were discussed, the community BEGAN to articulate and thus define a clear vision of what we, the people of the region, want as we move forward with economic development. The current study purposefully has engaged the community in an effort to identify the commonly held vision and thus minimize the internal divide, strengthen our ability to resist proposals that do not support that image and build our economy. Part of the vision is clearly economic equality.

Further, it has become clear as we listened to a broad cross-section of community members who attended a series on jobs/the workplace/development models that the region is beginning to “brand” itself. This “branding”, reflects a people who draw on their resiliency, creativity, intellect, openness to new ideas and share a deep connection to each other and the natural world we call home. The region is still a neighborhood with great diversity in its people and place, as in inherent in a healthy neighborhood. It is a profound SENSE OF PLACE that is perhaps our greatest asset. It is an essential character of the region that has been retained. The philosophical underpinnings originate from many sources going back to beliefs of the Native Peoples and factors that lead to the migration of European settlers

THE DEFINITION OF WORK AND CONTEXT IN THE CULTURE OF ECONOMICS

History has shown that it is in transitional times when a paradigm shift becomes evident, society as a whole is challenged to face dynamic change. It was true as humanity moved from nomadic to agrarian to the industrial base. It is no less true as we are now transitioning given advanced knowledge in science & technology to yet a new epic in time. While the “name” is unclear, it is a time for humanity to redefine work. What guidance do we have in pursuing this new definition of work and its relationship to evolving human existence?

Pope John Paul articulated the role of work in human life in the encyclical *Laborem Exercens* (1981). In this he develops the concept of dignity in work. Work is to enhance human existence and equity and thus assure authentic progress for humans and society. “Human work is a key, probably the essential key, to the whole social question....”

This proposition is further supported by the works of Martin Luther King who references the need for a “...revolution in values...” and more recently Kathleen Dean Moore’s *Great Tide Rising*. While Ms. Moore specifically addresses climate change, the suggestion that as a force for change, science and facts must be combined with a moral framework in order for real behavioral/policy changes will occur.

This section of the study attempts to present a summary of where we have been, where we are going and most importantly how this journey can propel Ashland/Bayfield Counties toward the economic paradigm shift.

Facts/stats are selected with the rationale of helping the community move toward a consensus upon which action occurs and is grounded in the shared image/branding/moral framework of social justice and economic equality for the region.

Data was generated from WI Dept. of Workforce Development(DWD), NW WI Skills Gap Analysis and the Strategic Plan FY 2017-2020 of the NW WI Workforce Investment Board(NW WIB), US Census, Strategic Employment Growth in WI/UW-Madison LaFollette School in Public Affairs(LSPA), United Way ALICE Report(ALICE), PEW Report, WI Department of Education(DPI), Wisconsin Technology Council(WTC), UM-D, Ashland and Bayfield Co Comprehensive Plans, Economic Innovation Group(EIG), Ashland County Housing Authority(ACHA), UW-Madison/Extension (UW/Ext) and personal interviews. (see bibliography)

WHAT ARE THE CHARACTERISTICS AND CHANGES OF OUR WORKFORCE

Basic demographics

In addition to the information presented in the introduction to the study, the following issues have been identified. (DWD, NW WIB, U.S. Census)

- The overall regional population:
 - Ashland County decreased to 16,866/4.2% with an additional 1.9% decrease by 2015
 - Bayfield County held unchanged (2000-2010) 15014 followed by an increase of 1.1% from 2010-2015 reflecting “immigration” vs increase in the birth to death ratio.
 - NW WI population is projected to increase to 187,675 by 2030 then decline

- The labor force peaked in 2005, began to decrease and is projected to shrink even further in future
- The share of the labor force ages 55+ in NW WI will increase 18% from 2010-2040. This reflects older residents working.
- The population 55+ in NW WI will increase 36% from 2010-2040
- The labor force age 16-34 in NW WI will decrease from 26844 (2010) to 23539 (2040) - 12% fewer young workers
- The largest portion of workers commute more than 35 miles to work
- 38% of unemployed in NW WI have been without work for > 100 days
- Unemployment in NW WI Sept 2016 was 4.2% compared to State at 3.5% not reflecting duration or those who dropped out of search for work. Census analysis shows regional rates higher for youth and minorities.

Income

The PEW report (2016) surveyed the loss of middle class citizens in America in the previous year. Wisconsin lost 5% of its middle class. This is more than any other State.

ALICE (Asset Limited, Income Constrained, Employed) a United Way Study of Wisconsin showed that 42% of Wisconsin households struggle to meet basic needs:

- 13 % live in Poverty
- 29% unable to meet basic needs

The ALICE reports that in Ashland County 48% of our citizens are struggling:

- 16% live in Poverty
- 32% unable to meet basic needs

The ALICE figures for Bayfield County demonstrate 36% are struggling

- 12% live in Poverty
- 24% unable to meet basic needs

Further details on Ashland and Bayfield Counties: (DWD, NW WI WIB, U.S. Census, LSPA, ALICE.PEW)

- 80% laborers have per capita personal income (PCPI) less than \$39000 (Census data 2014 both counties combined)
- DWD reports overall Bayfield County PCIP of \$39945 and Ashland county at \$34292 compared to Wisconsin per capita of \$44186 and US of \$46094 (Census 2014)

- Adjusting for inflation, Ashland Co PCPI was \$30,781 in 2014. The unadjusted \$34,929 having grown by 11.8% in 10 years was still only 77.6% of Wisconsin PCPI and 74.5% of the Nation's PCPI. It brought Ashland County down to 69 of 72 Wisconsin counties PCPI
 - Adjusting for inflation, Bayfield Co PCPI was \$33,844 in 2014. The unadjusted \$39,945 having grown by 17.8% in 10 years was 90.4% of Wisconsin PCPI and 86.7% of the Nation's PCPI. It brought Bayfield County up to 40 of 72 Wisconsin Counties PCPI
 - In Ashland County/ Wisconsin the Average Annual wage ranged from the low of \$13,702 /\$16,055 for workers in the field of Leisure and Hospitality to the high of \$56,506/\$55,317 for Construction workers. In all fields the comparison was \$34,265/\$43,856*
 - In Bayfield County/Wisconsin the Average Annual wage ranged from the low of \$17,486/\$16,055 for workers in the field of Leisure and Hospitality, to the high of \$51,148/\$62,484 for workers in Information Services. In all fields the comparison was \$26,764/\$43,856*
- (*These figures do not match those for average per capita as they only reflect people working in the top fields of work in each county and exclude retirees etc.)
- Census reports 2000 show that the median wage for residents of Bad River was \$25,208 compared to \$31,816 for the balance of Ashland county

Skills Gap Data-identified changes (NW WIB)

NW WIB Skills Gap Analysis (June 2015) revealed a gap between employer and worker perceptions of changes and challenges in the workforce.

Those responding to the survey of regional employers identified:

Top Major and Severe Skills Gaps Reported by Employers,

| | Major/Severe Gaps |
|--|-------------------|
| • Critical thinking and problem-solving skills | 17% /3% |
| • Knowledge of production processes and practices | 14% /1% |
| • Judgment and decision-making skills | 13% /2% |
| • Customer service skills | 11% /2% |
| • Knowledge of administrative rules and procedures | 11% /2% |
| • Knowledge of finance, accounting and economics | 11% /2% |
| • Intellectual abilities (for example, ability to apply knowledge) | 11% /0.5% |
| • Knowledge of computers and information technology | 10% /0.5% |
| • Knowledge of business management, marketing and sales | 10% /1% |
| • Oral and written communication skills | 10% /2% |
| • Interpersonal relations and teamwork skills | 10% /4% |

By comparison the Survey of Workers in the region perceived the gaps in **knowledge rather skills** as being the source of competency gaps. More than 30% of the workers reported having minimal and fair knowledge of natural resource extraction/processing, construction and audio/video technology- communications. These were closely followed by knowledge gaps considered to impact their worker competency in:

- Transportation, Distribution and Logistics
- Medicine and Health
- Social Sciences, Music, Art
- Agriculture and Food Production

This misalignment of expectations between workers and employers needs further analysis and while **inadequate pay** is suggested as a possible contributing factor, the current analysis does not address cause of the misalignment.

Regardless of requirements specific to any of the current categories of employment, there is a further change in the workforce. Some refer to this as the Millennium workforce. National research suggests that the Millennials prefer to problem solve and work in teams and positive outcomes of the work are reflected with this style is operationalized. The research also addresses a gap between long practiced management style and business models and the Millennials expectation

While the Ashland/Bayfield Counties have been depicted like many rural, poor and aging regions of Wisconsin and the Country, it is imperative to note that there is no lack of intellect. U.S. Census (2015) shows that educational attainment in the region is comparable to the balance of the State.

In Wisconsin, as a whole 54% of citizens 25 years+ have a H. S. degree compared to 57.3% in Ashland Co and 54% in Bayfield Co. Statewide those with higher degrees are at 35% while the rate is 33.2% in Ashland Co and 39.1% in Bayfield Co. It can be argued that the intellect pool may reside in large part among older and retired residents of our region, but it is a rich resource that in untapped and for which there has been minimal concerted effort to network with the younger population.

THE WORKPLACE-WHERE ARE WE WORKING

In Ashland and Bayfield Co employment in the 1960's-late 1970's was concentrated in woods related work, education, health and agriculture. In an interview with Wesley Lindquist/milk hauler of Highbridge in the 1980's, Wes reflected that in the Townships of Ashland and Morse alone he made 86 stops to pick up milk cans in the 60's. Presently there are a handful of operating dairy operations. (UW-Ext)

LP-Ashland plant closed as have larger sawmills in Glidden, Butternut and Drummond. LP in Mellen was sold to Columbia Forest Products and remains the only operating wood manufacturing business although now is a nonunion shop. With all these changes, there has been loss of good paying union jobs with benefits.

Workers have struggled as is the story of one displaced LP –Ashland female employee:

- ✓ -retraining programs
- ✓ -distant relocation away from family and familiar environment of the North in effort to attain comparable wages
- ✓ -subsequent disillusionment and the long road home to a public service union job that in 2010 fell in her own words “victim to Act 10 and the loss of job security and substantial wage/benefit plan.”

Current data from reports of NW WIB 2015 reveal that jobs are in the fields, most to least:

Bayfield Co:

- Leisure and Hospitality
- Education and Health
- Trade/Transportation/Utilities
- Public Administration
- Construction
- Manufacturing
- Financial Activities
- Professional and Business Services
- Other Services
- Information Services
- Natural Resources

Note

Ashland Co:

- Education and Health
- Trade/Transportation/Utilities
- Public Administration
- Manufacturing
- Leisure and Hospitality
- Professional and Business Services
- Construction
- Financial Activities
- Other Services
- Information Services
- Natural Resources

within these top fields/comparison 2013 to 2014:

- ❖ Ashland County saw a loss of
 - -71/2067 jobs in Education and Health
 - -29/1028 jobs in Manufacturing
 - -25/484 jobs in Prof & Business Service

(with a total payroll of all fields of work being \$272,958,878 and the total payroll in these 3 categories being \$140,609,562 it can be concluded that the loss of jobs in these 3 fields of work had a significant impact on the economy)

- ❖ Bayfield County saw a loss of
 - -35/1050 jobs in Leisure and Hospitality
 - -7/132 jobs in Financial Services
 - -5/95 jobs in Professional and Business Services
 - -5/60 jobs in Information Services

(with a total payroll in all fields of work being \$105,396,660 and the total payroll in these 4 categories being \$28,897,904 the impact was less but notwithstanding did impact the economy)

2000 Census data shows 97% of the population of Bad River is working in low wage service and retail jobs

Brettings remains the largest single manufacturing business in Ashland making paper folding machines sold internationally. Washburn Iron Works is the sole large industry in Bayfield County fabricating parts for industrial manufacturing companies in southern Wisconsin. Commercial Fishing has dwindled to Bodin's, Halverson's and a shrinking number of Indigenous fisherman in Bad River and Red Cliff.

What is not reflected in the above data is the shift in our region to homebased businesses and the developments in sustainable agriculture. Data is limited, as it is information on unemployed who have given up. In 2011 UM-D conducted research on a region including 8 NW Wisconsin counties/7 NE Minn. This region had agricultural related production of \$1,268,259,400. A large portion was exported to larger markets, thus retaining in the region only 18%. This is referred to as outsourcing of local wealth.

The Economic Impacts of Agriculture in Wisconsin Counties UW-EXT 2011/2012 estimated that ag-related jobs accounted for 4% of jobs in Ashland/9% in Bayfield County. If one adds sales, wages/benefits from the ag-sector, in Ashland Co. \$13.2 million was added to the County total economy or 2%. Bayfield Co. agriculture added \$78.4 million of 7%. Total ag product sales in Ashland County were \$383,000 with \$144,000 locally sold food. Bayfield Co.'s total ag product sales were \$1.6 Million with \$907,000 locally sold food. Compared to the 15-county average, Ashland and Bayfield Counties captured a great deal more wealth. This reflects one aspects of how we vision our future in a more progressive fashion.

Northland College has committed itself to providing its students with 80% local food within the next few years and a number of local school districts have increased their locally produced purchases. Newly announced, Northland College is building a licensed processing kitchen to make local foods available beyond the growing season. This kitchen will be open to local producers resulting in value added products and enabling sales to the broader community year-round.

The Bayfield Growers and Producers have formed a collaborative enterprise to share costs of marketing, storage, transport of products. The local Food coop has seen continued growth. An increasing number of local stores and restaurants are carrying lines of locally produced foods to meet consumer demand. Cable, Ashland and school have community garden, as well.

Tribal economic development initiatives, related to community gardening, hoop houses, orchards, forestry products, fishery management not only add to the local economy. There is as well a secondary hidden economic health related benefit associated with a return to seasonal agriculture whole food consumption with potential for reduction in the rates of diabetes and cardiovascular disease. While rates are statistically higher in the Native American population, the eating pattern benefits the balance of the region's population equally. (WI Dept of Health)

Sustainable/locally grown and marketed food is impacting jobs and ever increasing sector of the regional economy. The community is fully engaged in moving "Forward"! (WI Motto)

WHAT IS PROJECTED FOR WISCONSIN AND REGIONAL JOB GROWTH

There is moderate consistency in the projections of job growth from reports of the NW WIB and the UW-Madison LaFollette Center.

NW WIB findings suggest that the region is projected to experience a sizable occupation-specific labor shortage in the future: (range 4-15%)

- -Healthcare Practitioners and Technicians
- -Business and Financial Operations Support (e.g. market research and financial analyst)
- -Computer and Mathematical Occupations (e.g. software developers and actuaries)

Further, NW WIB identified occupations with both skills gap and labor shortages:

- -office and administrative support
- -management operations
- -Installation, maintenance and repair
- -health care support

The LaFollette Center identified 3 clusters with High-growth Potential Sectors:

- -Management and Professional Business Support:
 - Administrative and Support Services
 - Professional, Scientific and Technical Services
 - Management of Companies and Enterprises
 - Insurance Carriers
- -Healthcare and Social Services:
 - Ambulatory Health Services
 - Nursing and Residential Care Facilities
 - Social Assistance
 - Hospitals
- -Leisure and Recreation Services:
 - Amusement, Gambling and Recreation Industry
 - Food Services and Drinking Places

If one evaluates the projected jobs openings as reported in the NW WIB and LaFollette Center studies, the greatest numbers are in the fields of lowest wages and demand less need for advanced education.

DWD projects that from 2012-2022 NW WI will see a 3,329 job increase (73,446 total by 2022) It is estimated that approximately 25% of jobs available annually will be due to growth/new with the remaining being replacement/retirements. The top 5 fields with most job openings have median annual wages of less than \$30,000. Only 30% of the openings will have an annual wage of over \$30,000. This suggests a very slow transition to living wages. Our economy will continue to lag behind the growth in the balance of Wisconsin.

The comparison between NW Wisconsin and State as a whole suggest that regional occupations that are expected to grow will require less educated workers (HS degree or less) than occupations expected to grow in the balance of the state. With this goes the observation that the potential for upward mobility is hampered if we accept that the worker of the North will have less need

for higher education. It should be noted that projected employment and job growth is not entirely in line with the trends of development previously mentioned as actually occurring in Ashland and Bayfield Counties.

HOW HAVE WE GOTTEN TO THIS POINT/THE DRIVERS –POLICY AND EVENTS

The Economic Innovation Group, February 2017 published an analysis of Census data on the U.S. Economy-**Dynamism in Retreat.** This report highlights the forces of change that have resulted in decrease in innovation/entrepreneurship in our country. The outcome is directly related to the loss of industry/new startup/decrease investment in business and the obvious impact on workers as we have seen.

Firm creation significantly diminished with each of the last four recoveries. The U.S. economy added only 104,600 firms between 2010 and 2014, compared to nearly 500,000 from 1983 to 1987.

- In summary, the factors are: Overall fall in population
- Increase in portion of elderly /youth
- Decrease in startup capital driven largely by the drop-in home values and equity
- Consolidation of banking sector with fewer community banks and a resulting significant decrease in lending to startups for small business and youth
- Impact of regulatory and tax laws which have been disproportionately impacting small business favoring large corporations and have added burden of compliance cost to new ventures
- Increase in mergers of large businesses and acquisition of larger corporations of innovative small business applying new technologies with the failure to enforce antitrust laws
- Less public investment in innovations brought about by scientific and technological advances. In 2015 level of investment same as that of 1963.
- Utilization of “non-compete clauses” which limit new technologies move into new ventures
- Increase requirement of licensing without appropriate oversight of these requirements. 29% of all workers are required to be licensed.
- Global economy
- Ability of vested interest to effect policy and self-interests over common good

The other driver is the lack of a clear national policy on Energy and Climate Change. These two issues have a reciprocal relationship and have already impacted the region, perhaps because we live “close to the land” and therefore are more in touch with the outcomes.

There has been a noted rise in the temperature of Lake Superior. (UM-D) The National Oceanic and Atmospheric Administration (NOAA) reports an increase in average rainfall. Local insurance companies report increase losses related to extremes in weather. (Interview and review of loss reports) Health workers have seen increases in insect born infections among the populace. (Interview) Foresters note stress and disease in species which have served as a base of the wood related industries. (Terry Peters/logger) The last few winters have been extremely mild with decreases in snowfall and ice formation on all waters. The spinoffs in terms of local jobs ranges from the winter sports industry/tourism to the impact on the “extra cash” generated activities

such as cutting boughs and harvesting wild rice. Most recent example was the cancellation of the Birkie, which is estimated to bring in approximately 10 Million dollars annually.

As addressed earlier, this is indeed time for a paradigm shift which reflects economic and social justice. It is past time to revise policies that could enhance life for both the workers and small businesses of the region. (Reference Appendix 1A-Regional Financial Considerations)

WHAT NEEDS TO OCCUR TO SUPPORT JOB DEVELOPMENT & ENTREPRENEURS/INNOVATORS

Challenges- Barriers/limiting Factors

In addition to the points identified by the Economic Innovation group which focused on the national/global issues and the impact of climate change, the regional data reflect the following findings: (NW WIB, DWD, LSPA, U.S. CENSUS, Appendix 1B)

➤ Workforce/Job Projections:

- Young people are leaving the region and are not being replaced/returning
- Current workforce is aging and the region lacks in-migration to meet employment needs in critical industries such as health care and education
- We compete with regions able to offer better wage/benefit packages to teachers. This results in challenge recruiting/replacing teachers with the expertise needed to educate in projected fields of job growth (regional colleges) as well as to fill positions in the public schools
- Misalignment of worker and employer perceptions on gaps in worker competency exists. Reasons have not been fleshed out.
- Projected regional job growth in minimal wage fields
- Projected regional jobs which require only HS degree or less thus decreasing long term upward mobility for workers

➤ Geographical & Infrastructure:

- Barriers to access training
- Infrastructure barriers- access to high speed internet and adequate means of transporting value added products via road/rail

➤ Models for Networking/Mentoring:

- Employer collaboration in the critical industry sectors is hampered across expansive geography and is further impaired by lack of an effective model to engage any one industry (e.g. health care, manufacturing, education) in exploring how collaborative efforts could benefit that industry and its workers and grow the regional economy
- Workforce services/agencies have not established a network to convene the stakeholders (industry/business/agriculture, investors, labor, safety net services, educational facilities, elected officials, the tribes and the religious community) in much needed discussions on branding/vision and economic growth with goal of promoting a healthy workforce and economic equality

- Entrepreneur development in the region has been minimal with a lack of a coordinated effort to foster/mentor new ideas and those interested in startup venture
- *Economic-Investment/Reinvestment/Wealth Retention:*
 - Financial investment in the region has been conservative in approach. Larger national/multinational and smaller regional/local banks/saving and loans compete for the investments at lowest risk. Trend analysis to identify opportunities for growing the region is limited and there is lack of collaborative discussions between local and regional investment firms on such issues
 - Constraints on local mom and pop/main street businesses to offer higher wages/benefits and remain in business
 - Retention of wealth within a region-the production, marketing and distribution of value-added products. Ashland and Bayfield Counties need to address revenue and retention rather than allow export of wealth to other areas of the country as we are now doing. The citizens of the two counties experience economic inequality, in part, because their annual wealth is captured outside the region(UM-D)
- *Local Historical/Cultural Trends:*
 - Long established lag in economic recovery in the North
 - Historical disparity in wages for work in the same field compared to State and National wages
 - Disparity in wages among the Native Americans and greater job concentration in service and retail segments
 - Loss of historical connection to unions and knowledge of organizing skills
 - The cultural “ying/yang” local citizens’ inherent creativity and resiliency to make living in the North work and accept as is what it takes to accomplish this
 - The pervasive sense of powerlessness to effect positive change and need to explore how we can change local policy and vision
 - Higher overall cost of living takes larger portion of low wages, leaving less local purchasing power and less stimulus to local business:
 - High rental costs
 - Longer distances to work
 - Higher utilities given poor housing stock-ACHA has over one year waiting list for weatherization. 35% of houses in Ashland County build prior to 1939(US Census)

Favorable Policy/Beliefs/Trends

Ashland and Bayfield County has embraced the process of Branding/Vision. There has been favorable progress in the quest for economic growth directed toward the new paradigm and

resulting in equitable living for its citizens while honoring the treasures of our natural resources. (NW WIB, DWD, LSPA, U.S.CENSUS, Appendix 1B)

➤ Local Historical/Cultural Trends:

- The cultural “ying/yang” local citizens’ inherent creativity and resiliency to make living in the North work
- Strong cultural history/practices that favored the spread of the cooperatives, local savings and loans and town mutual insurance companies as a mechanism for providing local goods and services
- Inquisitive populace with ongoing discussions of alternative ownership/entrepreneur efforts and embracing the new economic paradigm of increased knowledge and technology:
 - tools/models for local investment
 - cooperatives, anchor institutions, employee owned models, CSA’s
 - buying locally
 - establishment of new sustainable crops (recent e.g.- strains of grain that are not tilled/reduction of field runoff and domestic hazelnuts to meet demand of an ever-expanding world market)
- County elected officials, municipalities and the tribes have taken positions that have not supported the continuation of short term gain offered by the proposals for continued extraction of natural resources. Both Counties have Comprehensive Plans (Ashland, 2016/Bayfield, 2010) which that clearly articulate the value of economic growth that does not impact the rich and diverse natural resource base of the region
- High levels of education attainment in populace with immigration of intellectual/business expertise among retirees. Initial movement toward networking between the retirees and the younger workers/entrepreneurs.

➤ Geographical & Infrastructure:

- Presence of the UW-extension agents to avail region of current research and expertise in agriculture and economic development
- Access to regional Technical colleges/University-WITC and UW-Superior with commitment to addressing the worker shortages/skill and knowledge gaps and the WITC commitment to free tuition for incoming youth
- There has been significant interest in sustainable energy policy and practices in the region. Bayfield Electric Coop experienced several times the expected response to invest requests with demand reaching beyond their membership. Wind, solar and geothermal installations have increased in the Chequamegon Bay community. This has impacted personal finances and the regional economy.
- Norvado has made highspeed internet available to a select group of consumers in the region. Century Link has secured grants to upgrade rural Wisconsin access to

highspeed internet. Our region is scheduled to see these advances implemented 3-4 years from now.

- The Bad River band has been instrumental in establishing a fiber optic cable communication line that runs from upper Michigan to Superior. As funding permits, lateral Wi-Fi towers will be established to provide high-speed Broadband internet services to tribal members and others in Ashland County. A for-profit company has run fiber optic cables from Ashland into Bayfield County. The Red Cliff Health Center is directly cabled. Although few other laterals are in place in the peninsula at present, all the residences on Madeline Island are connected by fiber-optic cable.

➤ Models for Networking/Mentoring/Investment:

- The Northland College Center for Rural Communities applies research based solutions to social and economic challenges, partners with community members to build on local knowledge, and promotes the long-term health and vitality of rural communities in the north woods region. The Center is undertaking an Assets and Amenity Survey of the region to support its mission. The Northland students as part of their experiential learning experience are involved in the project.
- NW WI Work Investment Board/Strategic Plan for 2017-2020 is in place
- State of Wisconsin Technology Council established by legislative action resulting in two arm:
 - Wisconsin Angel Network to foster investment
 - Wisconsin Innovation Network to support innovation and foster new ventures (e.g. FABlabs to encouraging Millennium Students in Science, Technology, Engineering, Arts and Math)
- WI Department of Ed strategy for early career planning/student self-directed career portfolios

➤ Economic-Investment/Reinvestment/Wealth Retention:

- Wealth retention improving with Bayfield County to greater extent than Ashland (UW-Madison)
- State of Wisconsin Technology Council (WIN) efforts (see above)

SUMMARY –MAKING DEMOCRACY WORK TO PROMOTE ECONOMIC EQUALITY

Relying on the drivers of change, barriers and strengths identified in this report, actions become apparent. The next steps have been incorporated into the Ashland and Bayfield Counties Agenda to Help Restore Economic and Political Balance located in the conclusion of the Study Report.

This report on the Workers and the Workplace in summary presents statistics-true. More than this however, it has painted a picture of a visionary people who in Ashland and Bayfield County are not going to simply accept what some prognosticators, development specialist and multinational corporations are offering as a future. The citizens' deep value for neighbor and the

neighborhood commits us to pursuing our own vision. The vision/economic development plan is one that embraces a new paradigm while restoring the promise of the American Dream for future generations.

***“...he not busy being born,
is busy dying!” (Bob Dylan)***

Appendix A-1: Financial Considerations

Regional Financial Considerations

A brief, in person, survey was conducted with a select number of members of the banking community. Since all representatives of the banking and financial services in Ashland and Bayfield Counties were not included in the discussions, the following statements should be considered as generalizations only.

The Banking community tends to define itself broadly by its service area: local, northern region in general, state-wide, and national. The amount of funds available for loans or investments appear to parallel the size of the service area.

All of the institutions are proud of the relationships they have with their customer base. The more local institutions, in particular, value customer loyalty and recognize that their support for and knowledge of their customers had a direct bearing on the institutional response to the 2007-08 financial down-turn.

Local, and regional, banks emphasized their conservative loan and investment practices. By knowing their customers thoroughly, they were able to avoid the high default rates seen among the national and multi-national financial institutions. In an economic down-turn conservative practices pay-off. In economic growth periods, conservative practices restrict revenue growth and the associated opportunities to enhance local investment.

The Dodd-Frank regulations had a greater impact on smaller local or regional banks than their larger counterparts. The bigger institutions could redirect smaller portions of their staff than local banks to address the same rules. Like all businesses, staff time is money. A disproportionate cost of compliance occurred for smaller institutions.

The internet has created a comparable challenge for local and regional banks. As customers become more sophisticated about financial instruments, smaller institutions need to provide similar instruments **or** access to **or** knowledge about investment options. In order to maintain local customer base, proportionality greater amounts of bank staff personnel need to be engaged in training activities. Travel and training costs could be contained were it not for the fact that customers tend to expect all members of the staff to have the same level of expertise.

An interesting aspect of legacy and heritage support to first generation customers led to a discussion about the direction of the banking industry. The financial costs for start-up businesses are significant and frequently insurmountable. Second and third generation family members face similar financial challenges. It is not sufficient to adopt ongoing operations, but to assume existing debt **and** address the continual challenge of upgrading the business to compete effectively. A mom and pop store needs to appear as inviting and progressive as other businesses. Legacy and heritage generations need greater and greater amount of equity to remain viable.

The upshot of the equity and liquidity requirement is the growing consolidation across industries where chains and large commercial operations buy out or out-capitalize smaller businesses until they are dissolved. Consolidation within the banking industry is following this same consolidation pattern.

Local and regional banks compete with each other. Occasionally, they will collaborate on specific projects based on the size of the project or the range of services required, which individual institutions provide. An interesting discussion evolved out of the question: How do local and regional banks become aware of local and/or regional issues that could have a bearing on investment practices or the communities they serve? Individual banks tend to receive information from industry associations of which they are members. If regional trends are discussed during these events, it is shared within the association. Trend analysis collaboration among local and regional banks tends to be limited.

Appendix A2: Foundations of Entrepreneur-ism

By Mike Bailey

Often when picturing an entrepreneur, we envision an individual working alone for long and hard hours until that “aha” moment occurs and a revolutionary idea is born. Reality is a lot more complex.

Three distinct entrepreneur activities have been identified: Collection, Organization, and Disruption. In the first situation, a “data-base” of related information is accumulated. In the second situation collected data is “organized” in such a way as to facilitate the efficient use of the information, In the last situation, “combinations” of information are brought together or juxtaposed. The “Disruptive” nature of this combination/juxtaposition process is often glorified and envied: “It is such a simple idea. I should have come up with it”. In many ways, Disruption simply represents an evolutionary juxtaposition of readily available ideas and information.

Collection, Organization, and Disruption are all crucial to Entrepreneur-ism. Given the different values we place on each activity, how can we best foster creativity and an entrepreneurial mind-set? A literature search reveals a belief in “incrementalism” frequently contrasted to, but often meshed with the idea of “social milleau” enhancement. Incrementalism is grounded in the belief that increasing knowledge or a skill base will result in break-through actions or events. Milleau enhancement entails identifying and replicating settings in which entrepreneur activities or breakthroughs occur **or** have occurred.

The entrepreneurial continuum relates to leadership style, as well as the life-cycle of a business or organization. Breakthroughs in all fields result from the disruptive efforts of individuals, but just as likely come from teams of people focused on a common goal. The match between the leadership style of an individual or group with its social milleau will foster or destroy initiatives.

Over a decade ago, both houses of the Wisconsin legislature and the Governor created and signed into law the Wisconsin Technology Council (WTC). WTC was charged with enhancing technology awareness in the state. It created two divisions: the Wisconsin Angel Network (WAN) to foster investment and the Wisconsin Innovation Network (WIN) to foster general awareness of developing technologies and to support budding or small businesses.

The simple availability of resources does not guarantee Entrepreneurial success. The Lake Superior chapter of the Wisconsin Innovation Network (WIN-LS) has identified over forty (40) non-profit agencies, organizations, and associations which provide specific support to budding entrepreneurs. Unfortunately, each of the above groups is not necessarily aware of the actions or skill training opportunities offered by their counterparts.

A number of groups serving the Northern region, which include Ashland and Bayfield Counties, incorporate the term “entrepreneur” in their descriptive documents or mission statements: WIN-LS, the Ashland Area Development Council (AADC), North West Workforce Investment Board (NWWIB), Visions Northwest, North West Regional Planning Commission (NWRPC), etc. Yet there

are limited attempts at outreach or collaboration among these entities, to support entrepreneurs. As well intentioned as the efforts of all these Northern region groups may be, appreciation for the entrepreneurial “Learning Curve” is not being consistently addressed.

Briefly consider the steps which an underfunded entrepreneur must take to be successful, when going from the idea phase to the commercialization of product or service phase. A great idea needs to be researched, which may require mastering search techniques offered by the US Patent Office. Other data-bases are available at a cost to the entrepreneur of time and effort. Marketing, Insurance, Personnel management, tax laws, finance phases, etc. all have built in learning curves.

The attrition rate for a “start-up” business is significant. Yet, entrepreneurs are a vital driving force in the economy. Learning and support opportunities are continually offered throughout the year in the Northern region. Events such as: Science on Tap, Business on Stage, RISE Breakfasts, and other organization meetings offered by the Ashland Business Alliance (ABA), UW-Extension, tribal potlucks, Bayfield Economic Development Corporation, League of Women Voters, Alliance for Sustainability, Northland College lecture events, to name only a few, reflect the deep commitment to entrepreneurial success in Ashland and Bayfield Counties.

WIN-LS recently hosted a FabLab Informational Event. Regional School District Administrators and board members, business owners, state and local public officials, financiers, higher education representatives, teachers, private consultants, non-profit agencies, and the general public all were in attendance. In the world, there are approximately 1,400 “MakerSpaces” or “Hackerspaces”. Three hundred (**300**) are located in the United States. MakerSpaces/Hackerspaces are community-based facilities. FabLabs are school-based facilities.

During the 2015-17 bienniums over a million dollars have been offered in two grant rounds to Wisconsin school districts. In the first round, 96 applied and 25 received grants that, in total, amounted to \$500,000. Approximately, **16** FabLabs are situated in the Northern third of the state. It is still unconfirmed with official announcements in April. In the 2nd grant round following the WIN-LS event, 25 school districts applied for grant money. Of those applicants, **15** were from the Northern third of the state. Currently, in the State of Wisconsin, there are reportedly **150** FabLabs, established either by school district initiatives or through grant money. Disproportionately, based on population density, there are more FabLabs located in the Northern third of the state than other regions.

A silent revolution appears to be developing in Wisconsin in the education of Science, Technology, Engineering, Art, and Math (STEAM) students. FabLabs are designed to encourage and challenge Millennium students **and** their instructors to experience technology and explore their own creativity, among multi-age and multi-discipline colleagues. Due to FabLab funding issues, school districts need to reevaluate their relationship with the Business community. Business to District contracts are an evolving consideration. The bottom line: **Wisconsin now has more FabLabs than any other state in the nation.**

APPENDIX B

Report of the Education Sub-Committee ABC/LWV Study on Economic Inequality

There is a place in America to take a stand: it is public education. It is the underpinning of our cultural and political system. It is the common ground. Public education after all is the engine that moves us as a society toward a common destiny...it is in public education that American Dream begins to take shape.

- Tom Brokaw

Funding for Wisconsin Public Education is a Local Issue

Between 2008 and 2016 Wisconsin cuts to public education have been among the largest cuts in the nation - 12.7% - with revenue limits for funding schools remaining the same. For several years, there has been no increase to the state's revenue cap, which limits the amount of money school districts can raise in their local districts. This fact, combined with the extreme cuts already made to state support for local districts, means that for the first time ever Wisconsin will be below the national average for per pupil spending.

According to Jeff Pertl, senior policy advisor for the Wisconsin Department of Public Instruction, in the last ten years state support for special education costs dropped from 36% to 26% and ESL (English as a Second Language) support dropped from 18% to 8%. According to the Forward Institute, in 1999 state revenue accounted for 52.5% of the school revenue burden; local property taxes accounted for 36.6%. By 2011, however, the state burden had dropped to 45.8% and the local property tax burden had increased to 41.4%. Essentially the burden for financing public schools in Wisconsin has shifted to local public taxes and federal funds.

Public education in Wisconsin is no longer a state function. This change, according to the Forward Institute raises the question of compliance under Wisconsin Statute 121.01 on School Financing. The budget, however, continues patterns of voucher creation and expansion at the same time it neglects the issue of poverty and its effects on student achievement. Additionally, the school funding mechanism continues to contribute to greater education opportunity gaps based on where a student lives.

According to the Wisconsin Department of Public Instruction in 2001 1/3 of districts in Wisconsin were in declining enrollment; by 2012 that portion grew to 2/3 of our districts. This means that rural districts have less state funding for schools, fewer students, and greater poverty. Rural Wisconsin is home to 44% of Wisconsin's 860,000 public school students. The DPI identifies these specific challenges for rural schools:

- declining enrollments
- growing poverty
- insufficient broadband infrastructure
- higher transportation costs, and

- increasing numbers of ELL (English Language Learners) students.

For the most part, this duality describes the challenges facing schools in the Chequamegon Bay area, and the population predictions for the state show an exacerbation of these challenges. For example, the University of Wisconsin Applied Population Laboratory predicts that the population of Bayfield and Ashland Counties will each decrease by 9% by 2040. On the other hand, population increases as high as 24% (Dane County) and even 42% (St. Croix County) are predicted. The inequities of rural, poor counties will not be improved if policy changes aren't made.

As our population decreases, our poverty rates increase. As our revenue sources decrease, the concentration of wealth is limited to the most populated areas of the state. High paying jobs and greater disposable income from public and private sector employment are concentrated in these populated areas. Limited disposable family income in rural areas results in the need for school districts to compensate for the impact of poverty.

Following are the changes to the percentage of children in our local school districts who qualify for free and reduced lunch:

| | <u>2008</u> | <u>2015</u> |
|----------|-------------|-------------|
| Ashland | 51% | 57% |
| Bayfield | 71% | 100% |
| Washburn | 38% | 43% |

According to Bob Jauch, former Wisconsin State Senator, the concept of equalizing public education in Wisconsin is changing. Historically revenues for funding public education have been shared. The focus has shifted from equalizing education support to the goal of lowering local taxes and, in the recent past (10-15 years) the concept is now everyone for themselves. The bulk of funds aimed at lowering the tax levy goes to the communities who have paid the most, i.e. high property value areas. The communities in our area, typically not high property value areas, have received relatively less funding and, ironically, these are the communities who need it to the most. This trend, along with the recently enacted revenue controls and the draconian cuts to public education already mentioned, contributes to dramatic inequality for already poorer districts.

At the same time that these extreme budget cuts and policy changes have happened, Wisconsin has embarked on a privatization plan for public schools. Privatization of public school funding in Wisconsin began in 1990 with the Milwaukee Parental Choice Program (MPCP), which was the first publicly funded voucher program in the US. In 2014-2015 this single program cost \$196,400,000 in public funding. Now we have a statewide voucher program. The funds (\$196,400,000 in 2014) for the Milwaukee/Racine/Kenosha PCP (Parental Choice Program) continue to be drawn from the top of the state education funds and thus affect all school districts in the state. In addition, each district will have the amounts for their particular voucher students deducted from their state support as well.

The total amount of school funding for all the school districts within the state is fixed by law. The establishment of a “voucher school” is equivalent to the creation of another school district. In the above example, three new districts were created. The legislature did not provide additional funding for these new districts; it took money from the original districts to pay for this “experiment.” All the existing school districts were “impoverished” by the changes. The poorer districts were thus impacted the most.

Rural districts have higher operation and maintenance (O & M) costs than wealthier districts, transportation being only one example. Rural districts have less discretionary fund to adapt to changes. State revenue is distributed based on student “head count.” The loss of enrollment immediately drives up the fixed O & M costs for the district and the state has not compensated rural districts for the impact of these higher fixed costs. The result: loss of general revenue and increased fixed costs. Proportionately, rural school districts are subsidizing the voucher programs more than wealthier school districts.

For the 2016-2017 school year, Washburn School District has two voucher students and Ashland has fifteen. Using the estimated amount of \$7300 per regular education student, you can see, for example, that Ashland could have an additional \$109,500 deducted from their state aid. These costs have not been imposed yet on our local school districts as the state still has to confirm the parents' eligibility for vouchers. But those assessments are forthcoming. And with the promise of continual statewide expansion of the voucher program, each district can realistically expect an ever-increasing budget deduction for vouchers in their own district. (\$7300 elementary, \$7900 secondary, \$12,000 special education.) The eligibility income level for the 2016-2017 school year is generally 185% of the poverty level and in some cases 220%.

At a recent Marquette University forum on school voucher programs, Julie Underwood, professor of law and education at the University of Wisconsin Madison, questioned how the state can continue to adequately fund public education while continuing to support the expansion of taxpayer funded vouchers for private schools. “We have a program which now costs \$247 million all at a time when the state of Wisconsin has been one of the biggest public school cutters in the United States.” (*Milwaukee Journal Sentinel* 11//30/16) Wisconsin is now the largest voucher program in the country with 261 schools and more than 33,700 students taking part. Clearly this data and these policy trends signal a developing crisis for public schools, and rural schools such as ours in the Chequamegon Bay Area are poised to feel the crisis the most.

In April of 2016 Wisconsin voters approved 55 of 71 school referendum questions (77%). This statistic demonstrates that Wisconsin voters support their public schools and, probably gives evidence to the fact that school districts did a good job of communicating their needs and their public value to each community. But referenda do not provide a reliable or predictable budget process, nor is it sustainable or necessarily equitable from district to district. Our state has a constitutional obligation to provide students with a free public education in district schools that are “as nearly uniform as practicable.” It is clear that if the quality of our public education system is to continue and grow, we must reform how we fund public education. This not an easy solution but generally it means more state funding to schools and less reliance on the local property tax.

A new study commissioned by the Association for Equity in Funding (AEF) found that disparities in school funding among school districts have negative effects on student achievement. The study reports that schools with the highest levels of student poverty are also typically seeing the greatest negative effect of funding disparity. Thus, the Forward Institute concludes that the quality of educational opportunity in Wisconsin now largely depends on where a student lives and the relative affluence of a student's family and community.

With the exponential expansion of voucher costs, how can the governor and the legislature claim that they intend to hold down property taxes at the same time that they shift the cost of vouchers to local property taxes? According to *Wisconsin School News* (March 2016), there are only three ways to fund voucher expansion: have the state fully fund it, fund it from property taxes, or fund it by taking state aid away from public schools. The state has already rejected the first option and is currently using a combination of the second and third options. And now the legislature seems to want to substantially limit school boards' ability to recoup lost aid transferred to voucher schools.

It is clear that the goal of pro-voucher activists (including our recently nominated Secretary of Education, Betsy DeVos, whose family philanthropy's goal is to completely privatize education in the US) has elements that include: a statewide program with no enrollment caps, no income restrictions and voucher payment amounts at the same level as the public school per-pupil revenue limits. How can the state maintain these two separate school systems? The answer is not clear, but it is clear that local public school districts will feel the brunt of these "reforms" and rural public schools will face a dire future as a result.

It is clear that revenue limits, decreases in state funding, and a shift away from equalizing education in favor of lowering local taxes are policies that need to be readjusted if our local public schools can continue to deliver high quality education. The League of Women Voters of Wisconsin supports policies that provide an equitable, quality public education for all children. Indeed, the League recognizes that quality and equality are inseparable principles in public education.

In 2013-2014 Wisconsin had 242 operating charter schools enrolling 45,087 students. Frequently charter schools are formed by local school experts in response to a local concern or challenge. These are publicly funded schools, certified and monitored by the local public school district.

Wisconsin public schools also offer open enrollment choices for parents, an option that allows children to attend neighboring district schools. The state per pupil aid then follows that child to the selected district.

Both of these options are available and are used by area parents. Ashland School District opened a charter school in 2013 The public school open enrollment option moves children around among the three Chequamegon Bay area per the wishes of their parents. Parents using either one of both these options express satisfaction with these choices for their children. Why then should

we have an education delivery/funding system where a private school (religious and/or for-profit) should consume valuable tax dollars for a choice that seems unnecessary? Many see this expansion of “school choice” vouchers as the groundwork for privatization of Wisconsin's public schools.

The question must be asked: why privatization? Are people dissatisfied with public schools? Are public schools failing? Does research show that that vouchers produce superior results?

Julie Mead, professor of Education Leadership and Policy Analysis at the University of Wisconsin Madison, claims that public schools out-perform private schools, and that achievement studies conducted state-wide and nationally indicate that there are no consistent positive results for MPCP voucher users. In her presentation to a Chequamegon Bay area audience in January 2015 she cited two sources to support this claim.

First, public schools outperform private schools and charter schools where the poverty rates in the public schools were under 10% and, in fact, the public schools scored among the highest in the world. (*The Public-School Advantage: Public Schools Outperform Private Schools*, Lubienski & Lubienski 2013)

Second, according to John Witte, in his testimony before the US Senate Homeland Security Committee Hearing on July 20, 2005 stated: “Thus in summary, our best estimates over ten years of study were that for achievement tests, there were no consistent differences from the base year between voucher students and comparison groups drawn from public schools.” Mead concludes that calls for voucher and for-profit charter schools to continue and even expand can only be based on ideological reasons of “choice for choice” sake and promotion of free enterprise and privatizing public services. Completely lacking in any of their rationale is the role that poverty in a community plays in the achievement gains for students.

According to Mark Pocan, Wisconsin's 2nd district member of Congress: “While state governments are spending millions of taxpayer dollars on these schools, there is virtually no proof that voucher programs are effectively educating our kids. These schools have far less accountability and lower standards than public schools.... It is unconscionable for taxpayers to continue funding two duplicative education systems, particularly when the one can cherry-pick students and ignore educational standards and dodge showing proof that they are working.” (Progressive Media Project <http://www.progressive.org>)

Even more disturbing is the recent investigation that for-profit schools are finding ways to use a host of real estate and tax laws in order to profit. For example, these schools are sometimes able to purchase publicly owned real estate for their school facilities through a private, third-party entity. They make these purchases with taxpayer money, thus acquiring formerly public property at public expense. The third-party purchaser pockets overhead costs associated with arranging the sale.

It is important to note that these transactions are legal, but we should be concerned that public policy allows and even encourages this to happen.

Another aspect of voucher schools, often unreported, is that they tend to be unusually top-heavy with highly paid administrators at the same time the teachers, on average, are paid \$18,000 less than teachers in local school districts. (Ned Resnikoff <http://alj.am/lwub>) All of these disturbing trends remind us that pro-profit means exactly that. The business interests are primarily concerned with their profits and not necessarily with the achievement and well-being of their students or, as they like to say, their customers.

Thus, it is not surprising that many groups, including the NAACP, have called for a moratorium on the expansion of voucher and for-profit charter schools. “We are moving forward to require that charter schools receive the same level of oversight, civil rights protections and provide the same level of transparency that we require of our public schools,” according to Roslyn Brock, NAACP chair. And according to Steven Rosenfeld (<http://www.alternet.org>), “There are now 6,700 charter schools across the country, educating 3 million students. The initial idea for charters was to create locally run experimental schools. However, as the industry has grown, especially since 2000, it has become dominated by corporate educational chains and franchises with ambitions to become national brands.” It is important to remember that Wisconsin charter schools are locally initiated and publicly monitored, thus again begging the question of why we should universally expand for-profit voucher schools.

It is also important to note that according to recent national polls, Americans overwhelmingly want public charter schools to be more accountable, have less selective admission policies, employ better-trained teachers and refrain from harming traditional local schools by siphoning away precious taxpayer funds. These same polls also show wide support for regulating many aspects of the school privatization movement. (<https://www.popularresistance.org>) Further, according to Phi Delta Kappa, in 2015, 57% of Americans oppose vouchers and only 31% favor them. That means 12% don't know further evidence that we need an educated electorate in order for legislation concerning privatization to reflect the public will.

APPENDIX B1: Public School District Revenue Structuring Proposal

Proposal: Create a revenue funding model which equalizes per pupil “**instructional**” expenditures across the state, in line with the original intention and establishment of the Wisconsin Public Education law.

Background: There are three factors which have contributed to the current inequitable revenue funding and distribution practices: 1) a history of legal challenges, 2) political influences of school district representatives on historical and standing legislative bodies, and 3) a long-standing history and practice of shifting the tax burden from private enterprises, to local communities, and ultimately to the local property owners.

- 1) **The history of legal challenges.** There have been several law suits brought by school districts in regard to funding, claiming that state statues require “equity” which does not exist based upon the “present” funding model. Ultimately, the court decisions in these suits focus on the internal integrity (consistency) of the model, rather than the external impact (reliability and effectiveness) needed to address “equity.” The result is a general recognition of funding legality, but funding inequity and inequality. The legislature(s) historically have responded to this valid criticism by “tweaking” the revenue stream.

An example is delineated as follows: Rich district A has extensive state, local, and private funding streams versus poorer district B. The definition of “wealth” is at the center of the problem.

Wealthier districts have access to greater “liquidity” in the revenue stream (sales, personal property, disposable personable wealth, and income taxes). Poor districts, in contrast, may be “wealthier” in terms of overall potential resources, but are burdened by “Stranded Assets.” In effect they exhibit an “illiquid” revenue stream. Tweaking has historically entailed providing additional funding sources (liquidity) for the poorer districts. The attempt to tweak results in interference, caused by the second factor - political influence.

- 2) **Political influences of school district representatives:** By definition, wealthier districts have greater access and clout in the legislative process. In the state, budgetary process, funding for education comes from a fixed (limited) pot of revenue. Loss of funding by one district results in a gain by another.

There are two alternatives to state school districts under the tweaking scenario: hold firm under existing conditions or demand the funding pot increase in size. This latter approach has been used repeatedly when the state is financially “flush.” The practice entails accepting a larger revenue distribution to poorer districts, while demanding from the legislators smaller, but consistent, increases in the funding stream for wealthier districts.

Tweaking is couched under the guise of “equity,” but hides a more unpleasant reality. Tweaking when the state is flush or running a deficit requires a distribution of wealth away from the wealthy districts to their poorer counterparts. Without a tweak, Whitefish Bay residents would be forced to acknowledge that their local revenue stream directly supplements or supplements the revenue stream of a Northern (poorer) district for example. The philosophical and political head winds of this “Robin Hood” approach to redistribution are virtually insurmountable.

- 3) **Shifting the tax burden:** Supply-Side economics underpin this historical trend and reality. Under the guise of “job creation” or “job retention,” the issue of the tax burden is brought to the legislators. Although “trickle-down” economics has been repeatedly debunked, there is tremendous pressure on elected officials to avoid being against “jobs” or “growth.”

Over the last 30 - 40 years Tax Shifting has followed the same pattern. A group, such as industrial manufacturers, red flags their tax burden, the elected officials respond by modifying, decreasing, or elimination the burden. The immediate impact of the tax shift is to create a state revenue decrease, which needs to be made up. The tax burden then falls upon

the next available group, for example, commercial merchants. This group, in turn, requests a tax break, which falls on industrial food producers, or retail business owners. The process continues until the tax shortfalls upon the local communities and ultimately the individual home and property owners.

We are currently at a fiscal point in the state where the most tax burdened has the least capacity to respond to tax increases. The political response is often twofold: blame the burdened for social, cultural, and life style inefficiencies, which require more stringent oversight, overview, and punishment **or** respond to the political outcry by fostering the position and belief that “No New Taxes” will address the problem. Unfortunately, there is no discussion on the historical practice and impact of “tax shifting” or trickle-down economics.

“Tax Burden Trickle-Down” has reached the end of its usefulness. Those greatest burdened are incapable of absorbing more financial requests. The flexibility of the revenue stream is rigidly constricted by the continuation of “blame the victim” approach. Adoption of a different management methodology.

Summary: The current funding model and mechanism has deeply entwined roots from the three factors described above. Ongoing discussions of an equity funding model get bogged down repeatedly. Alternative approaches, to address a particular factor, automatically bleed into discussions about the other two factors. The result is continuing reform stalemate.

An alternative “equitable” funding methodology can be obtained, however, by separating out and compensating each district according to actual operational and maintenance (O & M) costs incurred. In order to be effective, a differentiation must be made between “instructional equity” and “operational equity.”

School districts encounter both fixed and variable costs, irrespective of the depth and breadth of the available revenue stream; however, the enabling public education law called for “equity of opportunity,” not “equity of revenue.” The funding mechanism originally set up and subsequently modified was an attempt to address the former mandate. Given the budget driven process in the state, a clear “tie” can occur if “instructional equity” is linked with sum certain revenue. In effect, a fixed per capita amount is dedicated solely to instructional equity district to district. Variable O & M district to district costs can then be separated out and consistently addressed through a separate, but related, funding process.

Proposal delineation: The Equitable Fund Distribution System (EFDS). For the sake of simplicity, clarification is needed regarding “equity or instructional revenue” versus “variable/adjusted or O & M revenue.” Payments to a district would be comprised of both equity and adjusted revenue. Districts with equal number of students would receive similar fixed amounts of revenue for the provision of comparable “instructional” services.

Districts with similar “variable” costs would receive similar variable/adjusted revenue amounts.

In the case of districts with similar instructional but different variable costs, the total annual revenue could vary considerably, district to district.

Multiple items could potentially be included under the category of “variable cost”: building per capita operation, repair, maintenance, salaries/benefits of employees in a geographic area, transportation, etc.; however, in the following example, transportation costs as a category will be discussed as a single item/variable, separate from “instructional equity” costs. An approach involving the depiction of other types of variable costs in this presentation would be too difficult for the reader to understand and describe. Clarity is important.

Given two districts with a hundred students each, the first district is situated in a highly dense urban area. The second is located in a rural setting with a highly scattered population within a large geographic area with low transportation density. In large part, without “tweaks,” both districts could receive the same state revenue amount. The urban district has the opportunity to direct the majority of its revenue stream to “instructional equity” - good pay for instructors, updated materials, discretionary spending to respond to unexpected situations. The rural district, with the same amount of money in its revenue pot, has to redistribute a portion of its equity funds to pay for higher variable transportation costs, diminishing instructional equity (opportunity) for its students.

Direct example: District A has 100 students and receives \$5,000/yr./student. It dedicates 4/5 of the revenue for instruction (\$4,000,000) and \$1,000,000 for transportation. Total revenue: \$5,000,000 in a dense urban transportation setting. With no extraordinary costs for transportation, District A would be considered to have a unitary cost for the variable budget transportation item of **1.0**. The budgeted variable fund amount multiplied by the unit cost results in a transportation cost of \$1,000,000. No need to tap into instructional funds to cover this obligation.

District B: Same revenue amount for the same number of students. Same budget for instruction equity - \$4,000,000. Same budget for variable transportation costs - \$1,000,000. Given the low population density and large geographic area, the unit cost for transportation is 1.75 or approximately 75% greater than that of the urban district. The variable transportation costs rise to \$1,750,000. Since there is no adjustment to the total annual revenue, District B can only direct \$3,250,000 of the original \$4,000,000 to instructional equity. The current funding process creates state-wide instructional inequity in violation of its enabling legislation.

The above scenario can be applied to a number of variable cost items; however, the key elements of an EDFS approach require a willingness to separate the cost for instructional equity as a fixed amount and the application of a unit analysis approach to a variable cost. The former commitment leads directly to the issues of instructional accountability, core standards, merit pay, etc., because it establishes overt and highly visible baseline performance standards for districts. It is a transparency “pay for play” approach which allows for measurable instructional outcome oversight. The variable unit standard has built in complexity but can be structured to provide consistency and reliability district to district.

The variable unit by definition deals with variable conditions over time. It requires external transparency and scrutiny in the form of a “**sunset**” provision. The sunset provision needs to accomplish two things: it must ensure that all the elements that contribute to a variable cost are

known, reviewed, and modified consistently, and, secondly, even with a declaration of all the elements within a variable (item), there is going to be a drift in element emphasis over time.

In the case of the transportation example, repair rates, equipment life-cycles, insurance rates, etc. can change with time. Fairness or “variable equity” will require a sunset provision at the end of designated time period - say four years/two biennial periods.

An analysis is required for both an internal and external evaluation of the “unit.” An internal analysis covers changes in sub-item cost variations, such as noted above. An external analysis requires a global review, leading to district to district baseline comparisons, by which performance Outliers can be identified and included in local and statewide management considerations.

Conclusion: Factors, Disruption, Adoption

EDFS characteristics: 1) A budget-driven management tool providing: consistency, reliability, reproduce-ability, and fiscal predictability; 2) Directly applicable to state revenue enhancements and shortfalls; 3) Legislative role delineation; 4) Three factor morass sidestep; and 5) Integration of disruptive methodology.

- 1) **Budget driven management tool:** State revenues vary biennially, mandating fiscal adaptations. EDFS creates “equalized valuation” resulting from the establishment of a baseline or set-point payment schedule. The payment schedule per district is identified in its fixed (instructional) and variable cost structure. Each district set-point (payment schedule) is based on easily identifiable and transparent elements that are subject to quantitative and quantifiable analysis.
- 2) **State revenue enhancements and shortfalls:** Budget-driven enhancement or payment decreases to a set-point do not disrupt the overall integrity of a district's educational processes. Payment variation will, however, directly alter the pace district activities are implemented. Educational equity and integrity will continue during periods of revenue and fiscal variation.
- 3) **Legislative role delineation:** EDFS directs legislator/legislative fine tuning to the definition of the sub-components of the fixed and variable elements. Fine tuning addresses the uniformity of elements from district to district, with the purpose of enhancing fiscal effectiveness and efficiency. Fine tuning does not interfere or present opportunities for micro-management of the educational system. It does however standardize an equitable funding system which has transparency and can easily be discussed by representatives with local constituents.
- 4) **Three (3) factor morass sidestep:** EDFS does not require redress of historical judicial, political, or tax shift initiatives. The efficient and effective collection of tax revenue is a fundamentally different issue, which EDFS was not designed to address. EDFS is specifically tailored to enhance revenue dispersal to maximize instructional equity and O&M efficiencies.

The determination of the available corporate, employment, sales, gaming, property, etc. taxes; the rate of tax capture within each category; and the fiscal efficiencies of the tax

collection process is a vital legislative activity. This morass-debate does not lead to a timely resolution of instructional equity issues. EDFS sidesteps the debate with a disruptive revenue distribution process.

- 5) **Integration of disruptive methodology:** EDFS is a direct challenge to the existing revenue distribution process. It requires an open discussion about instructional equity and underlying issues such as administrative and instructional accountability. It creates fiscal transparencies and a system for cost inequity containment, which is inherently built into the current system. EDFS changes the role of the state budgetary process from action/reaction to that of integrated fiscal management. Although the role of the legislative body remains intact, the depth and breadth of education about O&M information that must be assimilated is significant. Transparency comes at a cost.

EDFS creates transparency, fosters effective enabling legislation, and requires an expression of democratic values associated with public education. EDFS has the potential to create political and social chaos. There can and will be fiscal winners and losers with this methodology; however, EDFS places “educational equity” at the forefront of discussion and bonds it to a revenue distribution system that ensures fiscal, instructional, and administrative transparency at the district, local and state level.

EDFS requires sunset provisions to ensure that the political turmoil which will result from its introduction can be overcome. The sunset/remediation provisions are necessary political and fiscal safety valves, designed to enhance and maintain the life-cycle utility of this process.

Submitted by: Michael Bailey on 1/16/17