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# 5. THE MISSISSIPPI RIVER REGION'S ECONOMIC DEVELOPMENT WEAKNESSES AND THREATS

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## MACROECONOMIC FORCES

**National and global macroeconomic forces have a far greater impact on the region's business climate than anything we can do.** It has been documented many times that the pattern of interest rates, the value of the dollar in foreign exchange, federal government fiscal and monetary policy and the rate of growth of the gross national product play dominant roles in determining economic development performance. So why should we pursue regional and local economic development strategies?

The primary reason is that we can never reach our full economic potential by taking a passive role and hoping or relying on a strong national economy. Further, by being actively involved in local and regional economic development, we can better understand our problems. This better understanding obviously puts us in a better position to solve them which may involve our influence on state and federal economic policies through our respective legislators. In addition, just as it has been proven that macroeconomics is the primary force influencing local economics, it also has been proven from a multitude of success stories how an aggressive local economic development program can turn around a local community's economy through developing private and public networks, strategic alliances, and joint ventures. Strong local economic development efforts will also counter the negative effects when the national economy declines and will add greater vitality to the local economy when the national economy prospers.

## GEOGRAPHIC LOCATION AND CLIMATIC CONDITIONS

**Location-The Mississippi River Region's location in western Wisconsin and the Upper Midwest is not ideal for a business interested in pursuing a national market strategy.** Being part of the Snow Belt is another hindering factor, particularly if transportation and energy costs are important criteria in a business's location decision.

Since geographic location is a factor that cannot be altered, it behooves us to maximize the factors we can control. A strong educational system, a superior public infrastructure network, an attractive business climate and a quality workforce are factors we can control to minimize our locational and climate disadvantage.

**Floodplain and Driftless Area Topography- Finding suitable development sites and developing a transportation network in the nine county Mississippi River Region, with a few exceptions, is hindered by the "Driftless Area" topography.** This hill and valley terrain makes it more costly to construct the modern and heavily demanded four lane highway. Airport development is also hampered by this undulating terrain which predominates the region. The region's citizens are also all highly susceptible to flash floods as a result of this steep terrain that can inundate communities with dangerous floodwaters.

It's ironic that the beautiful ridges, bluffs, valleys, and rivers of the Coulee Region which serve as our eminent tourist resource also serves as a major impediment to business and industrial development. Traveling state highways through the Coulee Region is typically slower than most other parts of the state due to rugged ridge and valley topography which is a concern for business.

The rivers and streams that dissect the MRRPC Region also hinder development potential due to floodplain zoning which places restrictions on development and in the "floodway" which prohibits most development altogether. The City of La Crosse is severely hampered by this restriction; 4,000 of the city's 12,000 acres is located in the floodplain. This constraint deeply impacts La Crosse County's economic development potential, particularly when it comes to being able to produce the heavily demanded large tracts of industrial land that industrial prospects are so desirous of in the 15-35 acre plus category.

Three major floods (1993, 1998 and 2001) have occurred in the region in the last ten years. The flood of 2001 however, was the second highest flood stage on record, just shy of the record set in 1965. This flood negatively impacted the region's economy and involved two different flood crests which prolonged recovery efforts and delayed damage assessments. Seven of the Commission's nine counties (*Buffalo, Crawford, La Crosse, Pepin, Pierce, Trempealeau and Vernon*) in its EDA Economic Development District were declared Federal Flood Disaster Areas.

**Water Quality Problems— There have been surface water quality problems in the region caused by runoff from farm fields and private septic system failures.** The Mississippi River region is mostly rural with farms dominating the landscape. The region also contains numerous rivers and streams. The combination of farm fields along rivers and streams has lead to surface water quality problems. Two recent areas in particular that have had water quality problems are Elk Creek and Bugle Lake in Trempealeau County, and Jersey Valley in Vernon County.

Due to high concentrations of both fecal coliform bacteria associated with livestock manure and fecal strep associated with human septage, Bugle Lake in the City of Independence was closed for swimming in 2005 and 2006. In addition the lake is becoming shallower and smaller due to sedimentation caused by stream bank erosion of Elk Creek.

In Vernon County a manure runoff from farm fields resulted in a fish kill at the 56-acre Jersey Valley Lake. In March of 2005 during two days of balmy, 60-degree-plus weather, liquid manure was spread over fields that had not yet thawed. It then rained and washed the manure into the watershed and down stream into the Jersey Valley Lake where it caused the oxygen level in the water to drop below the amount needed by fish to survive, killing all the fish within the lake and closing the lake due to high concentrations of fecal coliform bacteria.

La Crosse County's Land Conservation Department conducted a sampling of the County's streams in 1998 that revealed 84% of the county's streams were not suitable for whole body contact due to high bacteria levels. The County's existing comprehensive plan identifies this problem and includes a recommendation to make the County's surface waters meet the recreation whole body contact standards as prescribed by the County Health Department.

### **LOSS OF MANUFACTURING JOBS**

**From 2001 through 2004 the number of manufacturing jobs in the region declined from 23,879 to 23,303. Despite this loss of 576 jobs manufacturing remains a key driver of our regional economy.** The diversity and strength of manufacturing in the region is evidenced by the fact it is one of the few economic sectors where data is not suppressed in any of our counties by the U.S. Department of Commerce, Bureau of Economic Analysis. This Federal agency divides the economy into 21 sectors and only eight of these sectors in 2004 were able to be reported in all of our counties because of confidentiality purposes. Health care, education, real estate, finance and insurance and wholesaling are some of the 13 sectors of the 21 where employment and income figures are not available in all of our counties. In 2004 Manufacturing contributed over \$1 billion or 17% of all personal income earnings in the region from all 21 economic sectors. Wisconsin employers are required to give employees a 60-day notice when layoffs are anticipated, or a shut down of the facility will occur. A copy of this notice is sent to the State Department of Workforce Development and those notices are placed to be accessible from the Department's web page. In 2004, La Crosse's third-largest employer, Trane Company, announced that it will be eliminating 350 local manufacturing and supervisory jobs by 2007. In February 2007, Sparta Manufacturing in Monroe County announced it would be closing, eliminating about 60 manufacturing jobs.

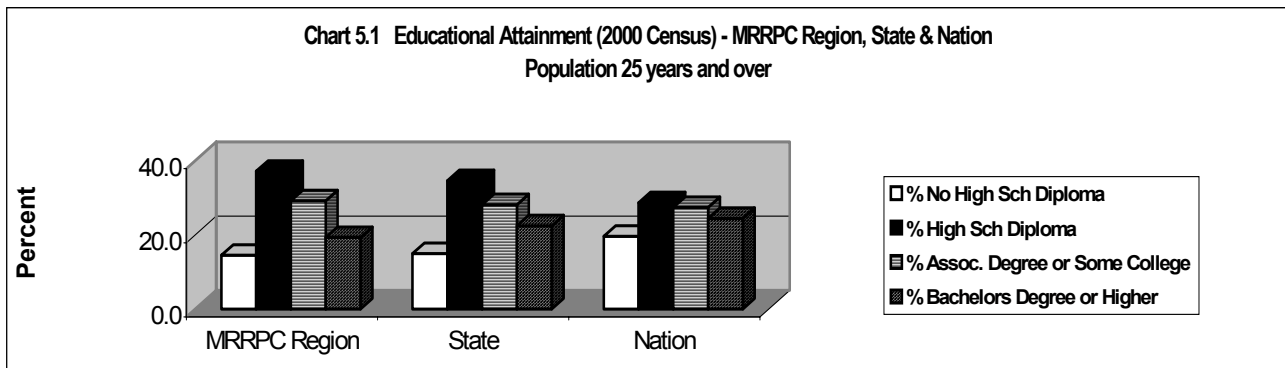
### **LOWER POST SECONDARY EDUCATION ATTAINMENT LEVELS**

Our region ranks high in the percentage of high school graduates - 37%, (State-35% and Nation-29%) but in educational attainment of residents with a Bachelors Degree or higher the region showed (19%) while the state and nation recorded 22% and 24% respectively. The 2000 census figures show that seven of the nine counties in the region have populations where less than 15% of the population age 25 and over have Bachelors Degrees or higher. **Table 5.1** shows a comparison of unemployment rates and weekly earnings by educational attainment and **Chart 5.1** shows how the region ranks in educational attainment with the State and Nation as of the 2000 Census.

Table 5.1 Comparison of Unemployment Rate and Median Weekly Earnings by Educational Attainment, 2005

| Unemployment Rate in 2005 (Percent) | Education Attained           | Median weekly earnings in 2005 (Dollars) |
|-------------------------------------|------------------------------|--|
| 1.6                                 | Doctoral degree              | \$1,421                                  |
| 1.1                                 | Professional degree          | 1,370                                    |
| 2.1                                 | Master's degree              | 1,129                                    |
| 2.6                                 | Bachelor's degree            | 937                                      |
| 3.3                                 | Associate degree             | 699                                      |
| 4.2                                 | Some college, no degree      | 653                                      |
| 4.7                                 | High-school graduate         | 583                                      |
| 7.6                                 | Some high-school, no diploma | 409                                      |

Source: Unemployment rate: Bureau of Labor Statistics; Earnings: Bureau of the Census



### AGING WORKFORCE

**Our workforce is aging. By the year 2020 it is projected that 24% of our region's workforce will be 55 years or older.**

The region's workforce is growing older more quickly than the workforces of the state and nation. The number in our region's workforce who were 55 years or older in 2000 totaled 23,390 or 14.2%. By 2020 the Wisconsin Department of Workforce Development forecasts the number who are 55 years and older in the workforce to grow to 44,067 or 24.1%. During this same time period the State of Wisconsin's workforce of 55 year olds and older will grow from 388,226 in 2000 to 730,138 in 2020 and comprise 13.5% and 22.4% of the entire workforce respectively. The ageing of the baby boom generation is the primary reason for this high percentage of workers in 2020 who will be 55 years and older, **Table 5.2**.

### DECLINING WORKFORCE

**Our Region's workforce is growing more slowly than the State or Nation and by the year 2020 Buffalo, Crawford, La Crosse and Pepin Counties workforce will actually decline from their 2010 workforce projection totals.** It is a fair assumption to make that based on current trends by 2025 all counties in our region will likely experience a decline in their workforce. The high percentage of the baby boom generation leaving work and retiring over the coming years is a major contributor to our workforce decline. Another factor contributing to workforce decline is our region's low rate of natural increase in births over deaths and lower numbers of young people moving into the region for jobs. Our region's lower rates of natural population growth and migration trends in comparison to the state and nation are described in more detail in Chapter 2. **Table 5.2** shows that from 2000 to 2010 the Region's workforce is expected to increase by 10.5% and from 2010 to 2020 it is projected to increase by only .2%. The State's workforce is projected to increase by 11.3% and 1.9% during those decades.

**Table 5.2 Mississippi River Region, State and Nation Workforce (WF) Projections by Age (2000-2020)**

|             | 2000               |                  |                     |                   |             | 2010               |                  |                                  |                     |                   |                                     | 2020        |                    |                  |                                  |                     |                   |                                     |             |
|-------------|--------------------|------------------|---------------------|-------------------|-------------|--------------------|------------------|----------------------------------|---------------------|-------------------|-------------------------------------|-------------|--------------------|------------------|----------------------------------|---------------------|-------------------|-------------------------------------|-------------|
|             | # in WF ≥ 55 Years | % in WF ≥ 55 Yrs | # in WF 16-54 Years | % in WF 16-54 Yrs | Total in WF | # in WF ≥ 55 Years | % in WF ≥ 55 Yrs | % Chg in WF ≥ 55 Years from 2000 | # in WF 16-54 Years | % in WF 16-54 Yrs | % Chg in WF ≥ 16-54 Years from 2000 | Total in WF | # in WF ≥ 55 Years | % in WF ≥ 55 Yrs | % Chg in WF ≥ 55 Years from 2000 | # in WF 16-54 Years | % in WF 16-54 Yrs | % Chg in WF ≥ 16-54 Years from 2000 | Total in WF |
| Buffalo     | 1275               | 17.0             | 6232                | 83.0              | 7507        | 1818               | 22.4             | 42.6                             | 6295                | 77.6              | 1.0                                 | 8113        | 2233               | 27.9             | 75.1                             | 5762                | 72.1              | -7.5                                | 7995        |
| Crawford    | 1565               | 18.0             | 7153                | 82.0              | 8718        | 2318               | 24.1             | 48.1                             | 7315                | 75.9              | 2.3                                 | 9633        | 2724               | 28.5             | 74.1                             | 6827                | 71.5              | -4.6                                | 9551        |
| Jackson     | 1556               | 16.0             | 8189                | 84.0              | 9745        | 2191               | 20.0             | 40.8                             | 8748                | 80.0              | 6.8                                 | 10939       | 2678               | 23.9             | 72.1                             | 8525                | 76.1              | 4.1                                 | 11203       |
| La Crosse   | 7069               | 11.9             | 52238               | 88.1              | 59307       | 11366              | 17.7             | 60.8                             | 52923               | 82.3              | 1.3                                 | 64289       | 13487              | 21.4             | 90.8                             | 49574               | 78.6              | -5.1                                | 63061       |
| Monroe      | 3150               | 14.8             | 18090               | 85.2              | 21240       | 4806               | 19.7             | 52.6                             | 19633               | 80.3              | 8.5                                 | 24439       | 6010               | 23.6             | 90.8                             | 19499               | 76.4              | 7.8                                 | 25509       |
| Pepin       | 1338               | 16.9             | 6571                | 83.1              | 7909        | 2065               | 24.1             | 54.3                             | 6503                | 75.9              | -1.0                                | 8568        | 2493               | 31.4             | 86.3                             | 5454                | 68.6              | -17.0                               | 7947        |
| Pierce      | 2486               | 11.3             | 19564               | 88.7              | 22050       | 4250               | 17.4             | 71.0                             | 20160               | 82.6              | 3.0                                 | 24410       | 5778               | 23.4             | 132.4                            | 18965               | 76.6              | -3.1                                | 24743       |
| Trempealeau | 2483               | 17.1             | 12058               | 82.9              | 14541       | 3524               | 21.8             | 41.9                             | 12672               | 78.2              | 5.1                                 | 16196       | 4350               | 26.3             | 75.2                             | 12159               | 73.7              | 0.8                                 | 16509       |
| Vernon      | 2468               | 17.9             | 11288               | 82.1              | 13756       | 3579               | 23.1             | 45.0                             | 11941               | 76.9              | 5.8                                 | 15520       | 4314               | 26.9             | 74.8                             | 11704               | 73.1              | 3.7                                 | 16018       |
| Region      | 23390              | 14.2             | 141383              | 85.8              | 164773      | 35917              | 19.7             | 53.6                             | 146190              | 80.3              | 3.4                                 | 182107      | 44067              | 24.1             | 88.4                             | 138469              | 75.9              | -2.1                                | 182536      |
| State       | 388226             | 13.5             | 2483299             | 86.5              | 2871525     | 590370             | 18.5             | 52.1                             | 2605631             | 81.5              | 4.9                                 | 3196001     | 730138             | 22.4             | 88.1                             | 2526522             | 77.6              | 1.7                                 | 3256660     |
| Nation      | 18700000           | 13.1             | 123900000           | 86.9              | 142600000   |                    |                  |                                  |                     |                   |                                     |             |                    |                  |                                  |                     |                   |                                     |             |

Source: Wis. Department of Workforce Development County Workforce Profiles, 11/04 and Civilian Labor Force and Participation Rates, U.S. Bureau of Labor Statistics

**IMAGE OF MANUFACTURING AS A CAREER CHOICE AND ALIGNING PUBLIC RESOURCES TO MEET MANUFACTURERS WORKFORCE NEEDS**

A key issue negatively impacting manufacturing that needs to be corrected is the concept that manufacturing jobs are dirty, low wage, low skilled factory jobs. Quite to the contrary many manufacturing jobs today are clean, high wage and high skilled. Technicians, scientists, computer programmers, software developers, lawyers, mathematicians, physicists, and engineers are commonly employed in manufacturing.

For our Region and States’ manufacturers to improve their global competitiveness, they will increasingly depend upon a higher knowledge workforce. To assist our manufacturers in growing their knowledge based workforce it is important to let our region’s students and workforce know about the quality jobs that are available in manufacturing and better align our State and region’s governmental, institutional, and educational resources towards improving the knowledge and skills of our manufacturing workforce.

**MORE DEGREED RESIDENTS LEAVING THE STATE THAN MOVING IN—BRAIN DRAIN**

Wisconsin has a brain drain problem and lags behind the Nation and neighboring Minnesota in attracting high-tech businesses and workers. This challenge was identified at Wisconsin’s Economic Summit, in November 2000. In 1997 State ranked last – 50<sup>th</sup> in the number of college graduates moving into the state and seventh in out migration or close to the top in number of college graduates leaving the state. (Source: U.W. Applied Population Lab)

From 1985 to 1990 Wisconsin lost 33,000 college graduates – 102,000 moved out, 69,000 moved in. Wisconsin needs to create knowledge-based jobs that raise income levels, and will keep and attract college graduates. New economy industries include high tech manufacturing, software, computer services, financial services, consulting, communications, media, and non-store retail.

**LOWER INCOME LEVELS IN THE REGION THAN THE STATE AND NATION**

Low Personal Income Levels -Over the past decade personal income levels in the region have been below both the state and national levels. In 2004, the average per capita personal income for the region was \$27,144 compared to \$32,166 and 33,050 for the State and Nation. Low per capita incomes are an economic factor where the region and the State of Wisconsin is lagging behind neighboring states and the Nation.

Of the 72 counties in the state Per Capita Personal Income Rankings (PCPI) for 2004 for MRRPC counties were: Buffalo County (15<sup>th</sup>), Crawford County (60<sup>th</sup>), Jackson (34<sup>th</sup>), La Crosse (25<sup>th</sup>), Monroe (50<sup>th</sup>), Pepin (42<sup>nd</sup>), Pierce (26<sup>th</sup>), Trempealeau (38<sup>th</sup>), and Vernon (69<sup>th</sup>). In 2004 the State of Wisconsin PCPI ranked 21st in the United States while neighboring states ranked as follows: Iowa PCPI ranked 27<sup>th</sup>, Illinois PCPI ranked 13<sup>th</sup>, and Minnesota PCPI ranked 7<sup>th</sup>. These statistics are from U.S. Department of Commerce, Regional Economic Information System (REIS), Bureau of Economic Analysis, **Table 3.10**.

### **HIGH STATE AND LOCAL TAX ENVIRONMENT**

**Based on a report by the Tax Foundation (a Washington based nonprofit) that used U.S. Department of Commerce, Bureau of Economic Analysis figures, Wisconsin's state and local tax burden was the seventh highest of the 50 states in 2006 for tax burden per capita.** 11.7% of income or \$4,289 was paid in state and local taxes for each Wisconsin resident. Neighboring states tax burden per capita ranked as follows: Minnesota (4<sup>th</sup>), Illinois (14<sup>th</sup>), and Iowa (26<sup>th</sup>).

### **DECLINING DAIRY FARMING ECONOMIC BASE**

**The MRRPC Region has experienced a steady decline in the number of farms and dairy cows over the past two decades.** The number of farms in the region with cattle declined from 8,197 in 1987 to 6,312 in 2002. Over the same period the number of dairy cows milked declined from 233,909 to 153,182. Dairy farming at a state and national level has undergone several changes primarily due to mechanization and higher productivity. For the most part, in order to be competitive dairy farmers must increase herd sizes and mechanize milking operations, which leads to a larger concentration of animals and larger farm sizes. In order to operate efficiently, the farm operations must have an adequate land base available to produce feed and manage nutrients (manure). These changes in the dairy farming industry have had an impact and are in part responsible for the decline of the dairy farming economic base in the MRRPC Region. Since a large majority of the MRRPC region is located in Wisconsin's driftless area, much of the terrain is not conducive to modern farming practices. The topography of the region with its steep hillsides provides a broken landscape, which is very scenic, but does not provide the large uninterrupted tracts of farmable land needed to efficiently serve larger dairy operations. Secondly, many of the steep hillsides are forested thus making these areas nonproductive for dairy farmers. The landowners pay taxes on these lands but do not gain agricultural productivity from the forested lands. Third, the rolling topography provides many land conservation challenges as the lands are susceptible to erosion, requiring agricultural practices that are sensitive to the environment, but are not always efficient from a dairy farming perspective.

Agricultural producers in the region are constantly adapting. In locations throughout the region that are conducive to modern dairy farming economics, large farm operations have developed. In other areas, agricultural producers have successfully adapted to other agricultural markets. Such as direct to consumer agricultural production, and community supported agriculture. Organic farming, that has been associated with small farm operations continues to grow in the region too. Numerous agricultural producers have experimented with alternative crops such as grape production and some have raised non-traditional sheep and goat herds for milk/cheese production.

### **DECLINING FOREST ECONOMIC BASE**

**The Mississippi River Region's forest industry has more economic development potential.** Wisconsin forests are divided into two broad categories the northern mixed forest and the southern broadleaf forest. The forests in the MRRPC region are categorized as the southern broadleaf forest and are primarily comprised of the oak-hickory forest type. The forests of southwestern Wisconsin are in transition as the oak-hickory acreage is decreasing due to heavy selection harvests, causing a succession to an elm-ash-soft maple-basswood types. The harvesting practices combined with poor regeneration on northern red oak have led to the decline of oak-hickory forests in southwestern Wisconsin.

The number of mills throughout the state and region has decreased due to the consolidation of mills and a decline in demand for paper products. Paper mills and sawmills have also been faced with a shortage of skilled labor, while the average age of a logger has increased to 52 years of age in Wisconsin. Finally, the furniture industry is experiencing strong competition from China in furniture production. Wisconsin lumber can be shipped to China, manufactured into furniture and shipped back to the United States at 20% to 30% less the cost of manufacturing it in the United States.

**HIGH SPEED BROADBAND SERVICE TO RURAL AREAS IS A PROBLEM**

**While many of the urban areas in the region have the choice between broadband service from their telephone company or cable TV company, many rural areas are dependent upon dial-up internet service that discourages entrepreneurial education, and business activities in rural areas.** Satellite broadband internet service is available in rural areas but for many it is cost prohibitive. A likely solution for many rural areas is wireless service off of broadcast antennas. In order to foster economic development in the region, broadband technologies (*cable modems, digital subscriber lines, fiber optics, wireless, etc*) must be in place at an affordable cost. Some of the region's rural telephone and energy cooperatives are offering both satellite and antennae broadcast internet services but their ability to service many parts of our rural region is a challenge particularly because of our hill and valley terrain. In 2005 a private company also started serving the La Crosse urban area with wireless broadband through a series of three strategically located antennas. To assist in providing broadband service to rural areas the most recent Farm Bill has set aside funding for this purpose.

**THERE IS A NEED FOR LARGE SIZE INDUSTRIAL SITES**

The ability to attract and accommodate large scale industrial and business expansions is dependent upon having a supply of large acreage parcels of land ready to go in the 20 to over 100 acres in size range. Based on an analysis of our inventory of industrial parks in Table 2.3, only 17 sites in the region are available with 20 acres or more that have appropriate zoning in place and utilities to the site. Many of these sites however would likely have to be eliminated since their acreages are not contiguous. The 1,700 acre site that Toyota selected in February 2007 for its \$1.3 billion expansion (creating 2000 – 4000 jobs) that was “being promoted for economic development” by the State of Mississippi near Blue Springs is an example of what large acre sites can mean to a region. Gaining public and local government acceptance of large acre sites to market for economic development is an important regional need. To accomplish this public-private partnerships involving local and regional economic development organizations, local and state governments, educational institutions and public utility companies would need to be created.

**OUR REGION'S DEPENDENCE ON WESTERN COAL FOR ELECTRICITY AND MINIMAL COMPETITION AMONG RAILROADS FOR ITS DELIVERY MAKES US MORE SUSCEPTIBLE TO CONSTANT ELECTRICITY RATE HIKES.**

The fact that the vast majority of our electricity is generated from burning coal makes us highly dependent upon this natural resource. Compounding this concern is the fact that railroads delivering this coal to our region have little competition. This situation has resulted in large rail freight increases for Xcel Energy, Alliant Energy and Dairyland Power System of Electric Cooperatives. Congressional bills have been written and an organization formed—CURE (Consumers United for Rail Equity) This organization is trying to influence Surface Transportation Board who over sees the rail industry. Specific needs CURE is pursuing are repeal of the railroad's anti-trust exemption and building grassroots support to limit rail freight increases that have been imposed on energy producers and other shippers of products on railroads. The Wisconsin Division of Energy recently reported that in 2005, 75% of the energy used by Wisconsin utilities and independent power producers to produce electricity came from coal. Approximately 97% of this coal that is burned in Wisconsin is Western – low sulfur coal from Wyoming. This coal enters the region either by Burlington Northern Railroad at Prescott or by Union Pacific Railroad at St. Louis, Missouri, that is then barged up the Mississippi River to Genoa.

**TO MEET FUTURE RENEWABLE ENERGY PRODUCTION REQUIREMENTS ADDITIONAL ELECTRICAL TRANSMISSION LINES WILL BE NEEDED**

A concern of our regional electrical companies is with the probable increase in the requirement to produce more renewable energy a demand will be created for new transmission lines to tap wind turbine energy in the region, Iowa, Minnesota and the Dakotas.