



Madison Region's Strategy for Economic Growth



PHASE 1: COMPETITIVE ASSESSMENT EXECUTIVE SUMMARY

Submitted by: Market Street Services, Inc.
www.marketstreetservices.com

November 10, 2011





MARKET ST

THRIVE HERE

Thrive is the economic development partnership for the eight-county Madison Region with a vision to create a dynamic environment where people and businesses prosper. We create value with initiatives that focus on long-term, sustained results aimed at building the region's competitive advantage while preserving and enhancing quality of life. Thrive works in the spirit of collaboration to ensure resources are available to the people and organizations that do business here. We serve the Wisconsin counties of Columbia, Dane, Dodge, Green, Iowa, Jefferson, Rock, and Sauk.

LIVE WORK GROW

Market Street brings original insights and clarity to the evaluation and revitalization of the places where people live, work, and grow. Through honest and informed assessments, *Market Street* can equip you with the tools to create meaningful change. Our solutions successfully merge our experience and expertise with the economic and social realities of our clients. *Market Street's* community partners are successful at creating stronger programs, increasing operational budgets, and creating new quality jobs with competitive wages that improve the quality of life in their communities.

ADVANCE NOW OVERVIEW

The Great Recession has significantly altered the economic landscape of the United States. While some communities are trying to “get back on track,” the **Advance Now** process is a deliberate and proactive effort to strategically position the Madison Region to take advantage of economic opportunities as they reemerge. The Madison Region enjoys tremendous assets, but has, at times, struggled to translate these strengths into economic opportunity.

Regional leaders are thinking anew about the Madison Region’s competitive advantages and the need for visionary, aggressive new initiatives to harness these opportunities. *Market Street Services* has partnered with Thrive to coordinate **Advance Now**, a formal Comprehensive Economic Development Strategy planning process that will systematically move the Madison Region’s economy forward. **Advance Now** will unite fragmented economic development efforts with a comprehensive action-oriented strategy that will enable the eight-county region to compete on a larger scale in today’s global marketplace.

Led by an engaged Strategy Committee of regional leaders from a wide representation of backgrounds, the **Advance Now** process is intended to create an actionable strategy that will not sit on the shelf. The final outcome of this four-phase process will be a detailed program of work for Thrive’s leadership, professional staff, and regional partners to leverage new opportunities that concurrently strengthen the region’s business climate, create new jobs with competitive wages, and preserve and enhance quality of life across the region.

Phase I. Competitive Assessment & Stakeholder Input: The Competitive Assessment provides a detailed look at the eight-county Madison Region’s demographic, socioeconomic, and economic trends in recent years compared to the metro areas of Austin, Texas; Des Moines, Iowa; and Lincoln, Nebraska, as well as the state of Wisconsin and the nation. The realities of the regional economy, well-being of residents, and growth and development of the community are examined. In addition to a community-wide online survey, a series of focus groups and one-on-one interviews were conducted with key stakeholders from throughout the Madison Region to complement the quantitative findings of the Competitive Assessment. This input will directly inform the recommendations of the five-year strategy.

Phase II. Target Cluster Analysis & Marketing Review: The Target Cluster Analysis will draw on Phase I research and input to provide a look at the Madison Region’s

economy that goes beyond traditional measures of current and potential future economic activity. Leveraging Thrive’s current targets and key stakeholder input, the end result will be a well-refined list of business clusters that will highlight the most important existing and the most promising emerging targets for Madison’s regional leaders to pursue.

The Marketing Review component of this phase will assess the Madison Region’s image among national site location professionals and identify best practice economic development marketing programs across the country.

Phase III. Advance Now Strategy: The **Advance Now** Strategy will serve as a tool unifying Thrive and its regional partners across the eight counties behind a consensus blueprint for economic development in the region. Developed in collaboration with the Thrive staff and driven by the volunteer leadership of the Strategy Committee, the final Strategy will be a detailed and visionary game plan of goals, objectives, and actions to achieve over a five-year period. The Strategy will also position Thrive to obtain a federally approved Economic Development District designation for the eight-county Madison Region.

Phase IV. Implementation Plan: If the Madison Region’s **Advance Now** Strategy determines the “what” of the eight-county Thrive region’s preferred future, then the Implementation Plan answers the “how.” The Implementation Plan is a playbook that will guide the launch of **Advance Now** and drives its ongoing momentum through the five years of implementation. It will provide capacity assessments, measurement tools, plans for years one through five, and other information necessary to successfully implement the **Advance Now** Strategy across Thrive’s public- and private-sector partners in the eight-county region.

INTRODUCTION

The Madison Region – the eight-county portion of south central Wisconsin comprised of Columbia, Dane, Dodge, Green, Iowa, Jefferson, Rock, and Sauk counties – offers many attractive assets to residents and businesses. Distinctive amenities such as the incredible capacity and clout of University of Wisconsin–Madison, high quality of life, the influence of its position as the capital region of the state, robust local food systems, strong civic pride in non-profits and public education, and the natural beauty of its lakes, rivers, parks, and trails put the region in an enviable position in this competitive national climate to attract top talent and high-value, sustainable jobs.

However, the Madison Region is at a critical crossroads. Buoyed for decades by large, stable employment bases in state and local government, education, manufacturing, and health care, the region now finds itself in an uncertain position with the futures of some of these once-reliable sectors. While the eight-county region has been developing New Economy innovations for decades, other areas in the country have more aggressively seized upon opportunities like biotechnology that were originally pioneered in the Madison Region. In addition, the region and state have been sluggish to emerge from the national recession, continuing to shed jobs as other similar metros experience new growth.

Advance Now, an initiative of Thrive driven by public and private leaders from across the eight-county region, will create a renewed regional commitment to effectively leveraging the incredible assets of the Madison Region to meet the demands of an ever-changing economy. The **Advance Now** process will create the Madison Region’s first, holistic, transformational Strategy for Economic Growth. This Competitive Assessment is the initial phase in understanding the strengths, opportunities, challenges, and competitive dynamics that the Madison Region must confront as it launches this new venture to build and sustain prosperity across the eight counties.

One participant in **Advance Now**’s stakeholder input process observed, “There are a lot of smart, educated people here but we don’t seem to have a vision of Madison as anything more than ‘good old comfortable Madison.’ We don’t spend enough time thinking of big ideas here.” The **Advance Now** process aims to stir up and engage those “big ideas” across the Madison Region, developing them into actionable, partnership-driven strategies that will truly transform the region into a globally-competitive place to live, work, and grow.

EXECUTIVE SUMMARY

This Competitive Assessment analyzes key demographic and economic indicators that impact community prosperity. This assessment, which includes key conclusions from stakeholder input – **12 focus groups, 12 one-on-one interviews, and 1,537 responses** to an online survey – is organized into three sections according to the principal factors that together determine the competitiveness of the Madison Region as a place to live and do business: **people, prosperity, and place.**

Supplemented with robust public input, this research presents a view of the competitive position of the eight-county Madison Region comprised of Columbia, Dane, Dodge, Green, Jefferson, Iowa, Rock, and Sauk counties in south central Wisconsin. Indicators for the Madison Region are compared to the trends of the state of Wisconsin and the nation, in addition to competitor metropolitan statistical areas (MSA): Austin, Texas; Des Moines, Iowa; and Lincoln, Nebraska.

The metro areas selected by Thrive’s professional staff and volunteer leadership were chosen based on some of the following characteristics to which the Madison Region compares or aspires:

- **Austin, Texas:** State capital with major research universities; large public sector employment base; business-driven innovation; growing and diversifying technology/innovation sector and skill clusters; nationally-recognized quality of life and young professional amenities; comparable educational attainment to the Madison Region.
- **Des Moines, Iowa:** Midwestern state capital and emerging hub for cultural, quality of life, and young professional amenities; strong agricultural sector; comparable population demographics to the Madison Region.
- **Lincoln, Nebraska:** Midwestern state capital with flagship public research university; previous Madison Region benchmark metro; comparable population demographics and per capita income growth to the Madison Region.

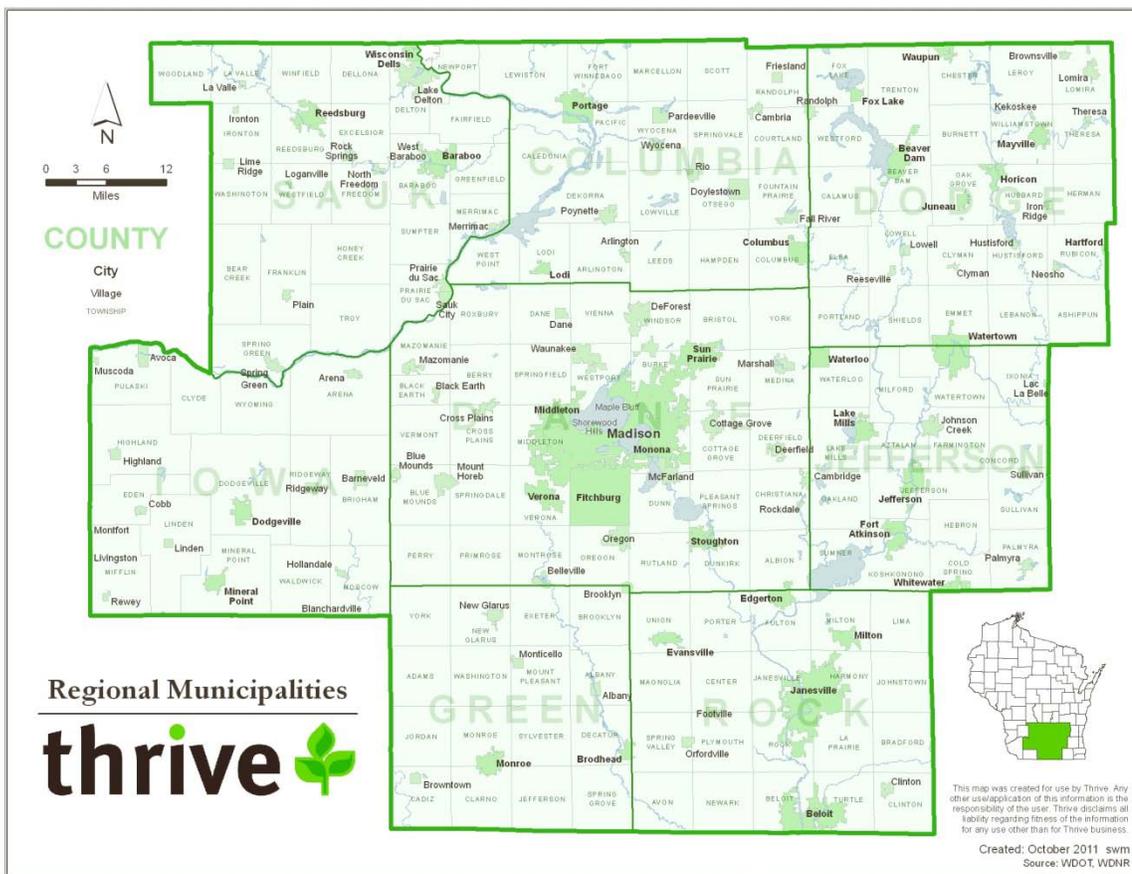
Regional Definition

The Madison Region, Thrive’s service area, is comprised of the following eight counties in south central Wisconsin: Columbia, Dane, Dodge, Green, Iowa, Jefferson, Rock, and Sauk. Throughout the Competitive Assessment, the term “**Madison Region**” refers to this eight-county area. Unless otherwise noted, the data corresponds to the entire eight-county Madison Region.

However, not all counties in the region meet population thresholds for every data indicator, and some data indicators are only available for metropolitan statistical areas rather than at the county level. There are two MSAs in the Madison Region: the **Madison MSA** (Columbia, Dane, and Iowa counties) and **Janesville MSA** (Rock County). When necessary, these MSAs are used as proxies for the larger region.

For a full explanation of comparison geographies, location quotients, public and proprietary data sources, and *Market Street* methodology, see **Appendix A** at the end of this report.

MADISON REGION GEOGRAPHY



Map Source: Thrive

PEOPLE

The following chart highlights key competitive strengths and weaknesses as they relate to the residents of the Madison Region.

PEOPLE: SUMMARY FINDINGS

| | Madison Region, WI | Austin, TX | Des Moines, IA | Lincoln, NE | Wisconsin | United States |
|---|-----------------------|---------------|-------------------|----------------|-----------|------------------|
| Population Growth | | | | | | |
| % change, 2000-2010 | 10.8% | 37.3% | 18.3% | 13.3% | 6.0% | 9.7% |
| Rank | 4 | 1 | 2 | 3 | 6 | 5 |
| Young Adults | | | | | | |
| % of pop. age 25-34, 2010 | 14.2% | 16.9% | 15.4% | 15.1% | 12.7% | 13.3% |
| Rank | 4 | 1 | 2 | 3 | 6 | 5 |
| Race/Ethnicity Diversity | | | | | | |
| % non-white, 2010 | 13.9% | 45.3% | 16.4% | 15.0% | 16.7% | 36.3% |
| Rank | 6 | 1 | 4 | 5 | 3 | 2 |
| Educational Attainment | | | | | | |
| % with bachelor's degree or higher, 2010 | 34.5% | 39.4% | 32.0% | 33.7% | 26.3% | 28.2% |
| Rank | 2 | 1 | 4 | 3 | 6 | 5 |
| Poverty | | | | | | |
| Poverty rate, 2009 | 11.8% | 13.7% | 10.0% | 14.8% | 12.4% | 14.3% |
| Rank | 2 | 4 | 1 | 6 | 3 | 5 |
| Per Capita Income | | | | | | |
| Per capita income, 2009 | \$38,843 | \$37,544 | \$42,012 | \$37,361 | \$37,373 | \$39,635 |
| Rank | 3 | 4 | 1 | 6 | 5 | 2 |
| Graduation Rate | | | | | | |
| Central city school district graduation rate, 2008-09 | 82.5% | 68.6% | 64.9% | 79.4% | N/A | N/A |
| Rank | 1 | 3 | 4 | 2 | N/A | N/A |

"1" is considered highest-performing, while "6" is the poorest performing among these geographies.

Note: Data sets presented throughout this report are at the eight-county regional level for the Madison Region and the metropolitan statistical area (MSA) level for the comparison communities unless otherwise noted. Sources and methodology notes related to these indicators are detailed in tables throughout the People section of the report and in Appendix A.

- Population growth remains strong, but trails peers:** Population growth in the Madison Region trailed metro competitors between 1990 to 2000 and 2000 to 2010. Despite growing faster than the state and the nation, intra-region growth patterns favored Dane County, while other counties, such as Dodge and Columbia, had large slowdowns in population growth. Jefferson County was the only county to see its rate of growth quicken between the two decades.

- **Net migration into the Madison Region is limited geographically:** Net in-migration dynamics heavily favor Wisconsin counties and Upper Midwestern metros and states. The migration data indicates some regional churn with other nearby metros such as Milwaukee, Chicago, and Rockford, indicating less geographic diversity exists among the Madison Region’s new residents and workers.
 - However, between 2000 and 2009 the top net source of new residents was international in-migration, which is a favorable trend in driving diversity in the Madison Region.
 - In addition to nearby metros and counties, the Madison Region lost a relatively high number of residents to Sunbelt regions like Phoenix, Arizona; Florida; California; and Texas.

- **The regional workforce pipeline is strong, but some segments are more secure than others:** Graduate output and talent attraction associated with UW–Madison and other post-secondary institutions ensure a robust and world-class talent pipeline. Potential regional workforce weaknesses include in-migration predominately from older metro areas, a smaller relative proportion of children, a slightly smaller share of young professional aged-residents, and a comparative lack of racial and ethnic diversity.
 - In 2010, regional higher education institutions conferred 11,092 bachelor’s degrees, 2,470 master’s degrees, and 1,378 doctoral degrees, indicating strong talent pipeline dynamics for the youngest portions of the workforce. Conferral dynamics compare favorably with those in Austin, and outpace other peer communities.
 - In 2010, 14.2 percent of the Madison Region population was aged 25–34, compared with 16.9 percent in Austin, 15.4 percent in Des Moines, and 15.1 percent in Lincoln.
 - The Madison Region has a smaller proportion of children aged 0–18, (22.9 percent) than all comparison regions, indicating that educating and retaining the native workforce should be a priority.
 - Industries that show the most vulnerability to an aging-out of worker knowledge and expertise, indicated by share of employees age 55 and older, include transportation and warehousing (30.2 percent), utilities and public administration (each with 28.4 percent), and educational services (27 percent).
 - Despite potential challenges with assuring a strong workforce pipeline, the Brookings Institution recently ranked the Madison MSA second (tied with Boston) in its mix of education and business sector variety. Additionally, online survey respondents identified the

regional workforce and work ethic as one of the Madison Region’s top strengths.

- **Minority populations are growing rapidly, but still represent very small shares of the regional population:** In 2010, 86.1 percent of Madison Region residents were white, higher than all the comparison geographies, including the state of Wisconsin.
 - Between 2000 and 2010, population growth in the Madison Region was driven by increases in minority populations. Of the 97,316 new resident to the region, 55.4 percent were black, Asian, Hispanic, or other.
 - Growth in the Hispanic population in the Madison Region (100.6 percent) was the highest of all comparison communities. Growth in the black population (37.3 percent) and Asian population (56.3 percent) outpaced national growth of those minority groups.
 - Some survey participants expressed concern over the region’s inclusiveness toward minority residents. Lack of diversity was acknowledged by respondents as one of the Madison Region’s biggest challenges to overcome.

- **Educational attainment is exceptional and increasing:** One of the most competitive economic development assets a region can have is an educated workforce. Between 2006 and 2010, the population with a bachelor’s degree or higher inched up from 33 percent to 34.5 percent in the Madison Region. However, among the geographies assessed, the Austin, Texas metro has the largest share of highly educated workers, with 39.4 percent possessing a bachelor’s degree or higher.
 - The proportion of residents without a high school diploma or equivalency declined in the Madison Region between 2006 and 2010, from 9.4 percent to eight percent. Only Lincoln, Nebraska (seven percent) has a lower percentage of those with less than a high school education.
 - The number of associate’s degree completions in the Madison Region exceeded those in all three of the benchmark communities and the number of certificate completions in the Madison Region far exceeded certificate completions in Des Moines, Austin, and Lincoln combined.
 - Survey respondents felt that the greatest strength of the regional workforce is its level of education and skill.

- **Per capita income is below the national average and growing slower than peers:** Per capita income (PCI) is a broad indicator of overall economic well-being. The Madison Region in 2009 had a per capita income of \$38,843, almost at parity with the national average of \$39,635.

 - However, PCI between 2004 and 2009 grew slower than all comparisons, except Des Moines which has a PCI over \$3,000 higher than the Madison Region.
 - Fifty-six percent of survey respondents felt that standards of living have gotten worse or much worse in the since the start of the most recent national recession period.

- **Socioeconomic disparities within the Madison Region are dramatic:** In 2010, the Madison MSA (Columbia, Dane, and Iowa County) had a PCI of \$43,959 (eight percent higher than the U.S. average) while Janesville MSA's (Rock County) PCI was \$32,102, around 20 percent under than the U.S. average.

 - Intra-regional educational attainment disparities are also acute, as 47.1 percent of Dane County has a bachelor's degree or higher, while all other counties range between 25.6 percent (Jefferson) and 14.2 percent (Dodge County).

- **Poverty is low, but growing faster than most peer regions:** Residents in the Madison Region are faring well, as the poverty rate (11.8 percent) is the second lowest of comparison communities, and the child poverty rate (12.9 percent) is the lowest of comparison communities. All communities experienced increases in overall poverty, but the Madison Region had the second largest increase between 2004 and 2009 (2.7 percentage points).

 - Among all the geographies examined, Lincoln had the highest poverty rate at 14.8 percent; Des Moines' poverty rate was the lowest at 10 percent.
 - Poverty rates increased the least in Des Moines (0.9 percentage points) and the most in Lincoln (5.3 percentage points).

- **School performance and achievement is uneven across the region and between socioeconomic groups:** Between the 2008–2009 and 2010–2011 school years, third grade reading proficiency rates declined in 10 of the 15 largest districts. Five of these districts, which represent more than half of all students in the region, had rates of third grade reading proficiency in the 70 to 80 percent range.

- The vast majority of school districts increased their graduation rates between 2005 and 2010.
 - Public input highlighted widening racial and minority achievement gaps in K–12 schools, especially in the Madison Metropolitan school district.
 - Spending per student is highest in the Madison Metropolitan school district (\$13,945) and lowest in Milton (\$10,826).
 - All but three of the region’s largest districts – Baraboo, Milton, and Watertown Unified – bettered the state’s average student-to-teacher ratio (15.0)
 - Tenth grade reading proficiency rates fell between the 2008–09 and 2010–11 school years in eight of the 15 largest districts.
 - 10th grade science proficiency rates increased between 2008–09 and 2010–11 in 11 of the 15 largest districts.
- **Regional confidence in K–12 education is strong:** Over 84 percent of survey respondents agreed that parents, community, and business leaders have a commitment to quality, public K–12 education.
 - More than 77 percent agreed that teachers and administrators are committed and engaged and that children receive a high-quality education.
 - In addition, 70.8 percent of online survey participants thought that these quality options in public K–12 schools make the Madison Region more competitive.

PROSPERITY

While all geographies examined suffered employment loss during the Great Recession, the Madison Region was the only region, with the exceptions of the state of Wisconsin and the nation, to experience loss that significantly scaled back gains made in recent years. However, growing average annual wages and low unemployment underscore the relative strength of the Madison Region's labor market.

PROSPERITY: SUMMARY FINDINGS

| | Madison Region, WI | Austin, TX | Des Moines, IA | Lincoln, NE | Wisconsin | United States |
|--|-----------------------|---------------|-------------------|----------------|-----------|------------------|
| Employment Growth | | | | | | |
| % change, Jan. '01-Dec. '07 | 9.7% | 15.6% | 13.0% | 9.9% | 4.7% | 6.9% |
| Rank | 4 | 1 | 2 | 3 | 6 | 5 |
| % change, Dec. '07-Dec. '10 | -4.5% | -0.04% | -2.8% | -2.8% | -5.0% | -5.5% |
| Rank | 4 | 1 | 2 (tie) | 2 (tie) | 5 | 6 |
| Employment Availability | | | | | | |
| Ratio of jobs to working age population (18-69), 2010 | 0.727 | 0.636 | 0.895 | 0.760 | 0.693 | 0.618 |
| Rank | 3 | 5 | 1 | 2 | 4 | 6 |
| Unemployment | | | | | | |
| Unemployment rate, June 2011 | 6.6% | 7.6% | 5.7% | 3.8% | 7.7% | 9.3% |
| Rank | 3 | 4 | 2 | 1 | 5 | 6 |
| Labor Force Participation | | | | | | |
| Labor force participation rate, 2010 | 82.7% | 76.2% | 83.7% | 79.7% | 80.6% | 74.4% |
| Rank | 2 | 5 | 1 | 4 | 3 | 6 |
| Average Annual Wage | | | | | | |
| Average annual wage, 2010 | \$43,871 | \$52,972 | \$49,358 | \$39,848 | \$43,472 | \$50,492 |
| % of U.S. | 86.9% | 104.9% | 97.8% | 78.9% | 86.1% | |
| Rank | 4 | 1 | 3 | 6 | 5 | 2 |
| Small Business Lending | | | | | | |
| Loans per 1,000 residents, 2010 | 10.8 | 16.8 | 13.8 | 14.2 | 11.8 | 13.6 |
| Rank | 6 | 1 | 3 | 2 | 5 | 4 |
| Entrepreneurial Firms | | | | | | |
| % growth of establishments w/ 1-4 employees, 2004-2009 | 0.1% | 14.8% | 3.1% | 3.7% | -2.4% | -0.2% |
| Rank | 4 | 1 | 3 | 2 | 6 | 5 |
| Innovation* | | | | | | |
| Patents per 10,000 employees, 2010 | 12.2 | 32.3 | 5.6 | 3.7 | N/A | 8.3 |
| Rank | 2 | 1 | 4 | 5 | 4 | 3 |

*Data available for Madison, WI MSA and Janesville, WI MSA only.

"1" is considered highest-performing, while "6" is the poorest performing among these geographies.

Note: Data sets presented throughout this report are at the eight-county regional level for the Madison Region and the metropolitan statistical area (MSA) level for the comparison communities unless otherwise noted. Sources and methodology notes related to these indicators are detailed in tables throughout the Prosperity section of the report and in Appendix A.

- **Regional employment reached its lowest point in February 2010:** Despite the recession ending in June 2009, national employment did not bottom out until December 2009. The Madison Region hit bottom two months later, in February 2010, when employment was 0.11 percent greater than employment in January 2000.
 - Job loss between December 2007 and December 2010 totaled 24,124 jobs in the Madison Region.
 - The Austin economy was the most resilient during the recession, and between the national peak and trough, lost 0.04 percent of employment. During the same time the Madison Region lost 4.5 percent of employment, more than Des Moines and Lincoln (both lost 2.8 percent), but less than the state (-5.0 percent) and the nation (-5.5 percent).
 - When looking at employment change from a five-year perspective, the Madison Region’s sector employment loss between 2005 and 2010 was pronounced in manufacturing (loss of 15,832 jobs, -20.4 percent); construction (loss of 8,034 jobs, -29 percent); retail (loss of 3,801 jobs, -6.1 percent); and finance and insurance (loss of 3,146 jobs, -11.1 percent).
 - Over 52 percent of online survey respondents felt that job opportunities have gotten worse or much worse since the start of the Great Recession.

- **Not all sectors fared poorly during the Great Recession:** Between 2005 and 2010, regional employment increased in the following sectors: agriculture (19.4 percent); information (10.6 percent); professional, scientific, and technical services (9 percent); educational services (10.4 percent); and health care and social assistance (9.9 percent). Total change in these sectors was a net growth of 14,855 new jobs.
 - Regional employment growth rates in agriculture; information; professional, scientific, and technical services; and educational services surpassed national sector growth.

- **Confidence in the labor market remains high:** While the labor force participation rate (LFPR) in the Madison Region dropped 5.7 percentage points between 2000 and 2010, the region’s relatively high rates of participation indicate that, overall, workers are positive on the state of the labor market and have not become discouraged.

- In 2010, the LFPR in the Madison Region was the second highest (82.7 percent) of all comparison geographies, second only to Des Moines (83.7).
 - However, the Madison Region faced the second-largest negative change in labor force participation between 2000 and 2010 at 5.7 percentage points, second to the Austin metro’s drop of 8.7 percentage points to a 76.2 percent LFPR in 2010.
- **Wages are growing but still lag peer and national averages:** Annual average wages in the eight-county Madison Region (\$43,871) have not come to parity with the national average (\$50,492), despite relatively low unemployment and the relatively high rate of labor force participation.
 - Between 2005 and 2010, average annual wages grew the fastest in the Madison Region (3.7 percent), but only reflect 86 percent of the national average.
 - Austin is the only peer community to have average annual wages (\$52,972) above the national average. Lincoln had the lowest wage levels of all comparison communities, \$39,848.
 - Nearly 62 percent of online survey respondents felt that wages and benefits have worsened in the region since the onset of the most recent national recession.
- **Economic diversification will be critical to long-term prosperity:** Diverse, balanced economies present insulation against recessionary pressures and provide workers much insurance against sector downturn.
 - While somewhat diverse, the Madison Region has a number of highly-concentrated sectors, including manufacturing (location quotient of 1.38); information (LQ=1.23); finance and insurance (LQ=1.18); educational services (LQ=1.09); and public administration (LQ=1.33).
 - However, many of these sectors at the national level endured dramatic decline during the Great Recession (manufacturing, finance and insurance) or are facing funding-related contraction concerns (educational services, public administration).
 - Survey participants identified health care and life sciences, scientific and technical services, information technology, and agriculture and food processing as the sectors that should be most highly prioritized for job creation in the Madison Region.

- **Wages have grown in all sectors, but are below the national averages:** Only three sectors in the Madison Region have wages that are equal to or above national sector wages. Such disparity may inhibit recruitment of talent, especially as many residents are concerned about the cost of living.
 - Only employment in agriculture, utilities, and construction pay wages that are above the national sector average.
 - The lowest wage ratios occur in energy extraction (0.70), wholesale trade (0.76), finance and insurance (0.73), arts, entertainment, and recreation (0.39), and accommodation and food services (0.74).

- **The older workforce is spread out among many sectors:** Many business sectors reflect the overall proportion of workers age 55 and above in the region (20 percent). Such dispersion is reassuring as knowledge and expertise loss will not be concentrated in one sector; however, this means that as these workers retire, workforce development assistance will likely be demanded from multiple sectors.
 - The share of older employees in transportation and warehousing is the largest (30.2 percent), followed by utilities and educational services, which each have a proportion of older employees equal to 28.4 percent.
 - The sectors with the smallest shares of aging workers are information (12.3 percent) and accommodation and food services (10.2 percent).

- **National rankings show middle-of-the-road business climate:** Recent rankings have put the overall Wisconsin business climate in the middle of the nation – from 23rd to 29th place among U.S. states. However, the Madison MSA has received some positive recognition for job growth, career opportunities, and opportunities for young professionals.
 - Current annual rankings do show some improvement in Wisconsin’s competitive standing among states compared to years past.
 - Recent state-level political instability may negatively impact the Madison Region, as businesses find it difficult to operate in a volatile environment. Public input also reflected a lack of communication and understanding between government entities and business decision makers.
 - Online survey respondents ranked assessed taxes and turn-around time for permit acquisition as the top business climate disadvantages for the Madison Region; quality of the regional workforce and availability of office space were rated as the best advantages.

- **The number of regional businesses has dropped:** The number of Madison Region firms of all employment sizes declined between 2004 and 2005 by -0.7 percent. Among the benchmark geographies, only Wisconsin also experienced a drop in establishments (-2.3 percent). The comparison metros experienced firm growth rates between 2.1 percent (Lincoln) and 15.7 percent (Austin).

- **Access to capital for entrepreneurs is difficult:** The Madison Region has a long history of entrepreneurship and innovation. However, despite high average small business loan amounts, fewer loans are reaching the Madison Region, and more businesses are entering bankruptcy.
 - In 2010, the Madison Region had the lowest rate of small business loans per 1,000 residents (10.8) of all comparison geographies. In 2005, the rate was 22.9 loans per 1,000 residents.
 - Loans to comparison communities were more frequent, rates in Austin, Des Moines, Lincoln, and Wisconsin were 16.8, 13.8, 14.2, and 11.8, respectively.
 - Loans to the Madison Region had the second highest average amount, \$59,379, behind the state of Wisconsin (\$67,489).
 - Among the geographies examined, business bankruptcies in 2010 were the second highest in the Madison Region (7.21 per 1,000 establishments); only Austin (8.34) had a higher ratio.
 - The Madison Region also had the largest increase in business bankruptcies (4.35) between 2007 and 2010, despite having the second lowest rate of bankruptcy in 2007 (2.86).

- **Regional small businesses have shown anemic or negative growth:** Despite growth patterns in the metro comparison communities, the Madison Region's business establishments with fewer than five employees grew 0.1 percent between 2004 and 2009.
 - Establishments with five to nine employees contracted by 2.6 percent, outpacing the decline of the Madison Region's total firms (-0.7 percent). Such dynamics are concerning, as many stakeholders attested to the importance of small business in the region.
 - Between 2004 and 2009, establishments with one to four employees grew 14.8 percent in Austin, 3.1 percent in Des Moines, and 3.7 percent in Lincoln.
 - The percentage of establishments with five to nine employees also grew in Austin, Des Moines, and Lincoln.

- While 73.7 percent of business owners and managers responding to the online survey indicated that their business will remain in the Madison Region for the long term, only 20.8 percent felt they received the support from economic development organizations necessary for business growth.
- **Innovation in the region is dominated by the University of Wisconsin–Madison, which outpaces all competitor regions’ research universities:** UW–Madison spent \$952 million on science and engineering research and development in 2009, the third highest in the nation, and had licensing income in excess of \$50 million, in the same year. In 2010, total UW research and development expenditures surpassed \$1 billion for the first time.
 - Life science research expenditures at UW–Madison were the second-highest of all universities (\$623.4 million).
 - Madison MSA had the second-highest patents per 10,000 employees in 2010 (12.2), behind Austin (32.3).
 - The top private sector patenting organization between 2005 and 2009 was the Wisconsin Alumni Research Foundation (WARF) with 399 patents. Promega, Mirius Bio, Third Wave Technologies, and General Electric also generate significant patent activity in the region.

PLACE

The Madison Region's high quality of life has been consistently enjoyed by residents and recognized on national rankings. While most of the assets that comprise the livability of the region – such as bike paths, trails, and farmers markets – continue to improve and expand, some factors like housing costs, costs of living, and health care outcome disparities may threaten its attractive image.

PLACE: SUMMARY FINDINGS

| | Madison Region, WI | Austin, TX | Des Moines, IA | Lincoln, NE | Wisconsin | United States |
|--|--------------------------------------|---------------|-------------------|----------------|-----------|------------------|
| Cost of Living* | | | | | | |
| Cost of living index (100= U.S. Avg), Q2 2011 | Madison - 108.1 Janesville - 98.4 | 91.2 | 90.4 | 93.2 | N/A | 100 |
| Rank | Madison - 6 Janesville - 4 | 2 | 1 | 3 | N/A | 5 |
| Homeownership | | | | | | |
| Homeownership rate, 2010 | 67.0% | 57.4% | 72.2% | 60.5% | 68.7% | 65.4% |
| Rank | 3 | 6 | 1 | 5 | 2 | 4 |
| Housing Affordability* | | | | | | |
| Affordability ratio (median home price/median income), 2010 | Madison - 3.89 Janesville - 2.93 | 3.37 | 2.78 | 2.96 | 3.46 | 3.59 |
| Rank | Madison - 7 Janesville - 2 | 4 | 1 | 3 | 5 | 6 |
| Percent Uninsured | | | | | | |
| % without health insurance, 2010 | 8.4%** | 19.3% | 9.1% | 9.8% | 9.4% | 15.5% |
| Rank | 1 | 6 | 2 | 4 | 3 | 5 |
| Air Transportation | | | | | | |
| Average domestic fare, 2011 | \$429 | \$359 | \$413 | N/A | N/A | N/A |
| Rank | 3 | 1 | 2 | N/A | N/A | N/A |
| Commute Patterns | | | | | | |
| % not driving to work alone, 2010 | 23.1%** | 24.4% | 18.3% | 20.9% | 19.5% | 23.4% |
| Rank | 3 | 1 | 6 | 4 | 5 | 2 |
| Public Transit Usage | | | | | | |
| Avg. annual miles per resident, 2009 | 199 | 206 | 97 | 21 | N/A | N/A |
| Rank | 2 | 1 | 3 | 4 | N/A | N/A |
| Environment | | | | | | |
| Superfund sites, 2011 | 7 | 2 | 5 | 5 | N/A | N/A |
| Rank | 4 | 1 | 2 (tie) | 2 (tie) | N/A | N/A |
| Charitable Capacity | | | | | | |
| 501(c)(3) revenue per capita | \$9,367 | \$4,293 | \$12,271 | \$5,642 | \$7,449 | \$6,005 |
| Rank | 2 | 6 | 1 | 5 | 3 | 4 |

*Data available for Madison, WI MSA and Janesville, WI MSA only. **Indicators omit Sauk and Green counties due to data availability. "1" is considered highest-performing, while "6" is the poorest performing among these geographies.

Note: Data sets presented throughout this report are at the eight-county regional level for the Madison Region and the metropolitan statistical area (MSA) level for the comparison communities unless otherwise noted. Sources and methodology notes related to these indicators are detailed in tables throughout the Place section of the report and in Appendix A.

- **Cost of living – especially health care – is high:** The Madison metro area is more expensive overall and in every individual component of the cost of living index than the national average as well as all of the comparison communities.
 - While the Janesville metro composite index is just under the national average, both MSAs have higher-than-average health care costs.
 - Over 41 percent of survey respondents felt that overall affordability in the Madison Region is worsening since the most recent recession.
 - Among quality of life factors rated by survey respondent, cost of living ranked the lowest, with 28.4 percent of respondents deeming cost of living poor or worse than average and 47.1 percent ranking it average. Affordability of health care and child care in the Madison Region were also ranked as major concerns for quality of life.

- **However, health care access is extensive and quality is world-class:** The eight-county Madison Region boasts more physicians to residents than any other comparison geography; it also has a comparatively low proportion of uninsured residents.
 - The University of Wisconsin Hospitals and Clinics, Meriter Hospital, Stoughton Hospital, and Waupun Memorial Hospital have all recently been nationally recognized as among of the country’s best hospitals and specialist practices.
 - Availability of health care ranked the highest among quality of life factors rated by survey participants – 75.4 percent deemed it as excellent or above average.

- **The Janesville metro suffers striking housing value challenges:** Compared to the state and nation, Madison and Janesville’s home prices fared lighter blows between the national peak (Q4 2005) and its trough (Q1 2009). However, home prices continue to drop in the Janesville MSA.
 - The Janesville metro’s decline of 12.3 percent is by far the most significant among the comparison geographies since the prices bottomed out nationally.
 - The highest rate of foreclosures in the Madison Region in August 2011 was Rock County, with one out of every 358 homes under foreclosure.

- **The Madison metro’s housing prices are the highest and fastest-growing in the region:** The Madison metro’s 0.9 percent contraction in home values since the national trough is the smallest of those areas examined that are still

experiencing declining single-family home prices. Despite these fluctuations the Madison metro's housing market is still pricier than any of the comparison geographies.

- A decade ago Iowa County, one of the counties in the Madison MSA, had the lowest home prices in the region. However, by Q3 2010 the county surpassed the state median.
 - As of Q2 2011, Iowa County's home prices were the third-highest in the eight-county region at \$145,746, just slightly above Jefferson County and nearly \$9,000 over the state average.
- **The Madison Region is served by extensive infrastructure networks, but some still lag in competitiveness:** The region is served by Class I and II freight lines, three interstates, and a regional airport.
 - The Dane County Regional Airport has the tenth priciest fares out of the 100 most-trafficked U.S. airports, which affects the wallets of residents and the bottom line for business travelers.
 - Almost half of all online survey respondents rated airline services as average, and half of business respondents felt that airport cargo capacity is average at Dane County Regional Airport.
 - The Madison Region is behind Wisconsin and the United States in terms of access to DSL and cable broadband, although not too significantly. The lowest share of residents with access to DSL occurs in Sauk County, where just 60.9 percent of residents can access DSL.
 - **Although public transportation is relatively pricey, coverage in the urban core is good and regional residents can also employ other alternative means of commuting:** The City of Madison's Metro Transit System had the highest fares among the comparison metro's transit systems. However, the Metro also boasts higher ridership and a newer fleet of buses than transit systems in comparison communities.
 - The Madison Region has the largest share of workers who commute by bicycle or other means (three percent) and on foot (four percent).
 - The City of Madison has been repeatedly recognized by the League of American Bicyclists for its bicycle-friendly businesses, university, and support for cyclists through infrastructure and enforcement of bicycle-safety laws. Wisconsin is top-ranked for its plans and policies dedicated to safety and ease of all travelers on its shared roadways.
 - Compared to Austin and other major cities, Madison has relatively little congestion.

- To increase commuter, tourist, and freight capacity through the Madison Region, the state Department of Transportation has outlined plans for I-39/90 that include widening both directions to three lanes, from the Wisconsin-Illinois state line in Rock County to U.S. Highway 12 in Dane County. A reconstruction of 11 interchanges along this 45-mile stretch of interstate is also part of the expansion.
- **Implications for environmental hazards and remediation in Dane County:** The share of the region’s EPA-regulated facilities produce and discharge potentially hazardous releases into the environment is most heavily concentrated in Dane County.
 - Over half of the facilities impact air quality and report hazardous waste in the Madison Region are in Dane County.
 - The Madison Region has the highest number of Superfund sites (remediation of which is often expensive and very time-consuming) – four are located in Dane County and three are in Rock County.
 - Stakeholder input participants frequently cited the natural environment as a top strength of the region, and the conservation of lakes and other natural resources as a major concern.
- **Quality of place amenities for residents are excellent, but tourism capacity and access to these is weak:** For a mid-sized region, the Madison Region boasts extensive sites, events, and assets that make it a highly attractive place to live and visit. In addition, Madison’s quality of life assets are frequently cited in national rankings.
 - However, a key challenge for visitors to the Madison Region is the lack of infrastructure, especially hotel capacity in key convention-friendly areas and transit connectivity throughout the region.
- **Civic capacity is robust:** The Madison MSA boasts the highest volunteer rate of all the comparison areas, with volunteer activity most highly concentrated in education and faith-based opportunities. In addition, the number of non-profit 501(c)(3) organizations per 1,000 people in the Madison Region is 5.4, a greater proportion than Austin, the state, and nation.
 - The Madison Region’s non-profit organizations report the second highest revenues per capita (\$9,367), behind Des Moines (\$12,271).
 - Local levels of civic engagement were rated highly by online survey participants – 70.3 percent felt the region’s civic activity by residents is excellent or better than average.

ONLINE SURVEY

Over 1,500 residents, business owners, and workers in the Madison Region completed the online community survey. Participants in the survey were asked what they consider to be the Madison Region’s greatest strength. The top responses are shown in the word cloud and summary list below.



- 1 University of Wisconsin-Madison
- 2 People
- 3 Schools/education
- 4 Environment/natural beauty
- 5 Diversity
- 6 Arts/culture
- 7 Lakes
- 8 Quality of life
- 9 Workforce and work ethic
- 10 Progressive/liberal

Survey participants were also asked about the region’s most critical challenges and weaknesses. Their responses are shown in the following word cloud and list.



- 1 Economic climate/jobs/unemployment
- 2 Divisive politics
- 3 State/Governor
- 4 (tie) Cost
Taxes
- 6 Segregation/lack of diversity
- 7 Poverty
- 8 Transportation/connectivity
- 9 Crime
- 10 Conflicting attitudes about growth/development

Key points derived from the research gathered for this report will help to clarify the challenges and opportunities in the Madison Region, and will directly inform recommendations made in the final **Advance Now** Strategy.

CONCLUSION

Clearly, the Madison Region is at a critical turning point. The Great Recession has in many cases leveled the playing field for competitive regions, and the region's once-stable employment bases and quality of life factors can no longer be taken for granted. The Madison Region must move forward on some timely decisions about what it wants to be, how it can leverage its world-class assets – including that of University of Wisconsin–Madison – and what kind of prosperity, talent, and communities it will nurture in the coming years. Building and preparing for stronger, more diverse employment opportunities accessible to the entire workforce must be an important outcome of the **Advance Now** process, as will be sustaining and enhancing the high quality of place that residents of Madison Region value.

If the Madison Region truly wants to compete with top-tier metros across the nation, its leaders and community groups must think critically about the challenges addressed in this Executive Summary and the full report. Several questions that will shape the Madison Region's future have surfaced through the research and findings of this Competitive Assessment. Two of the most compelling concerns are as follows:

How will the Madison Region diversify and advance its top strengths to compete more aggressively for 21st-century jobs and human capital? Outlined in this Competitive Assessment Executive Summary are the Madison Region's weaknesses in immigration, entrepreneurship growth, competitive wages in New Economy sectors, and perceptions of the regional and state business climate. The Madison Region's economy has historically relied on employment sectors that are now facing aging workers and increasingly less stability.

As the region experiences ongoing decline in traditional manufacturing and potential declines in its public sector workforce, what high-wage sectors will fill the void left by the loss of thousands of these vulnerable positions? How can the extraordinary higher education institutions and strong public schools in the region play a role in this transition? And is the region effectively positioning its strengths in the increasingly-competitive global marketplace?

How will the Madison Region embrace and unite its distinct communities and economies while addressing growing disparities within the region? The eight-county region is home to urban centers, suburban cities, small towns, and very rural areas. Some parts of the region are heavily dependent on agriculture while others rely on advanced manufacturing. Still other areas are driven by services and professional employment bases.

The priorities and constraints of these seemingly disparate communities and economic engines will require specific actions as well as the clout of a consensus-driven region. Additionally, the gaps between black and white student achievement, between low-income in-migrants and established residents, and between young professionals and the largely Baby Boomer local and regional leaders will need to be resolved for the region to capitalize on its growing diversity and build momentum as a global presence.

Still, one stakeholder input participant commented, “One of the most appealing aspects about the Madison Region is that we have not come so close to the tipping point that there’s nothing we can’t change. There’s still a real sense that while we have great challenges, there’s a sense of pride and optimism.”

The next phase of the **Advance Now** process, the Target Cluster Analysis, will identify priority target sectors and “niches” to focus on for economic development investment. Following that, the strategic phases will strive to answer many of these questions raised in the research reports as the Strategy Committee members develop a strategic roadmap for the Madison Region’s accelerated economic growth and development. The **Advance Now** Strategy will capture targeted actions addressing the opportunities and challenges identified in this Competitive Assessment, developing recommendations to steer public- and private-sector decision making for the duration of **Advance Now**’s five-year cycle. Last, the Implementation Plan will detail how the strategy will be put into motion by partners across the Madison Region.

At the end of this research, planning, and consensus building process, the dynamic public and private leadership that has driven the creation of Thrive and is guiding **Advance Now** will be tasked with taking the Madison Region to the next level of success, building momentum for holistic economic development across the eight counties.

**The full Competitive Assessment
report is available at
advancenow.thrivehere.org**

Support for *Advance Now* is generously provided by:



U.S. Economic Development Administration



advancenow.thrivehere.org