

*Key Initiatives
to Stimulate
Economic Growth*

IOWA
CHAMBER
ALLIANCE

A unified voice for economic growth

2010 Agenda

KEY INITIATIVES TO STIMULATE ECONOMIC GROWTH

2010 Agenda Introduction

The Iowa Chamber Alliance provides leadership on key issues and strategic policy recommendations for stimulating economic growth in Iowa. Such growth is achieved by creating an environment that is conducive to business success, leading to job expansion and increased state and local revenues. The result will be a state where government is a responsible steward of taxpayer money, investing in programs and policies that allow Iowa to become an economically thriving state, growing communities that plan and build for the future.

Iowa continues to be only mediocre in vital areas of economic development in comparison with other states. The *Small Business & Entrepreneurship Council's Small Business Survival Index** has dropped Iowa down from 41st in 2007 to 42nd in 2008 among all states. This ranking is based on an extensive analysis of 34 major government-imposed or government-related costs affecting small businesses and entrepreneurs.

In *Forbes* magazine's 2009 "Best States for Business" ranking, which evaluates states on 33 criteria in six categories, Iowa still remains only 39th for labor supply which looks at high school and college attainment, net migration and projected population growth. Iowa is 46th in growth prospects. Neighboring states that are in direct competition with Iowa, including Nebraska and North Dakota, ranked higher overall than Iowa in the latest *Forbes* report.

Finally, Iowa's population growth has remained stagnant since 2000. From 2000-2008, Iowa has ranked 30th in overall population. As of 2008, among all states Iowa is ranked 38th in numeric population, down from 33rd last year, and 42nd in percentage change of population which is down substantially from 34th the previous year.* The lack of population growth results in a business climate that suffers.

*Sources: *Small Business Survival Index 2008*, *Forbes.com Special Report*, 9/23/09, and the U.S. Census Bureau

2010 Agenda Overview

The Iowa Chamber Alliance provides insight and leadership on key issues most important to growing Iowa's economy. For 2010, the Alliance has identified four major statewide priorities with key issues in these areas, as well as seven federal issues important for Iowa's growth. Included among these key issues are to focus on balancing the state budget each year, preserve Iowa's business foundation and business climate, consider a pilot program extending the length of the school day and/or year and continue strategies for sustaining and revitalizing Iowa's communities.

STATEWIDE ISSUES

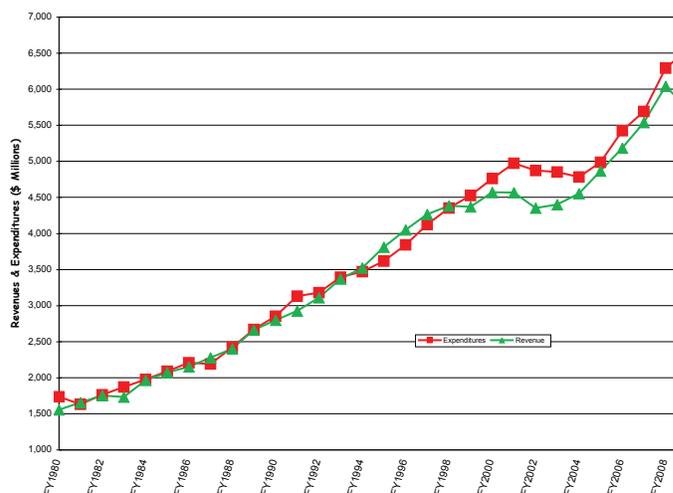
Promote Iowa's Economic Growth

• State Finances

— Continue to balance the state budget each year

A stable business climate includes sound government financial and regulatory policies. The State Legislative Services Agency projects a revenue and expense gap of nearly \$1 billion for fiscal year 2011. The Iowa Chamber Alliance believes the state needs to judiciously scrutinize all expenditures and utilize Lean to ensure every expenditure is allocated in the most efficient and cost effective manner. State expenditures must also be reviewed and strategically evaluated based on best practices, the impact and return on investment.

Previous spending reform committees have utilized both public and private sector expertise to develop recommended efficiencies which realize substantial savings and cost avoidance. This year the projected revenue and expenditure gap is so significant that it will take government, at all three branches of state government and at all levels working together, to resolve the projected shortfall. The private sector has had to re-engineer itself in order to meet customer needs, address economic downturns and develop better efficiencies. The Alliance believes that state government must do the same.



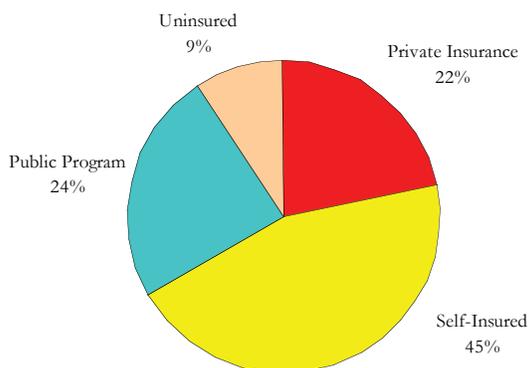
• Business Climate

— Preserve Iowa's business foundation

Taking away these protections could significantly impact the ability of Iowa's business expansion and job creation. Specifically, the Alliance:

- Supports the state's Right-to-Work Law, opposes legislation that would negatively impact this law and opposes all mandatory union fees for non-union workers.
- Supports Iowa's statute for workers' compensation regarding injuries on the job.

- Opposes mandating wage rates, except minimum wage, for public construction projects which would significantly increase the cost of such projects.
- Opposes adding items that can be negotiated to Iowa's public employee collective bargaining. Associated costs of expanded bargaining will eventually be paid for with taxpayers' dollars, putting additional strain on property taxes.
- Supports providing relief to small businesses that offer health care insurance by reducing the number of state health insurance mandates. Doing so would allow Iowa employers greater flexibility to provide affordable health care coverage. Health insurance mandates increase the cost of health insurance premiums by nearly 20%, but only for the small fraction of Iowans (those which use private insurance) least able to afford them – small businesses and individual policyholders.



• **Property Tax**

- Provide tax relief for commercial and industrial properties

Property taxes are non-competitive for commercial and industrial properties in Iowa. In the latest *50-State Property Tax Comparison Study*,* Iowa's urban commercial property tax rates have moved up from 5th highest in the nation in 2006 to 2nd highest in 2008,

with the rural commercial property tax rates currently ranked 7th highest. Iowa's industrial property tax rates are not much better, ranking 8th highest in the U.S. for urban areas and 15th highest for rural. Meanwhile, several neighboring states are enjoying more competitive commercial and industrial property tax rates.

Delaying reforms to Iowa's property tax system is increasing the tax burden on commercial and industrial payers. Iowa's commercial and industrial property owners are taxed on 100% of their assessed value, while residential property owners pay taxes on approximately 46% of their assessed value due to an assessment limitation (rollback). This disparity between tax classes is placing too much burden on commercial and industrial taxpayers.

The Alliance believes Iowa should explore a property tax system that will allow individual counties and/or regions to develop a system that meets their specific needs. These tax systems may differ across the state, recognizing Iowa's divergent needs. The Alliance believes counties or regions should take a vote of the citizens for acceptance or rejection of the proposed change.

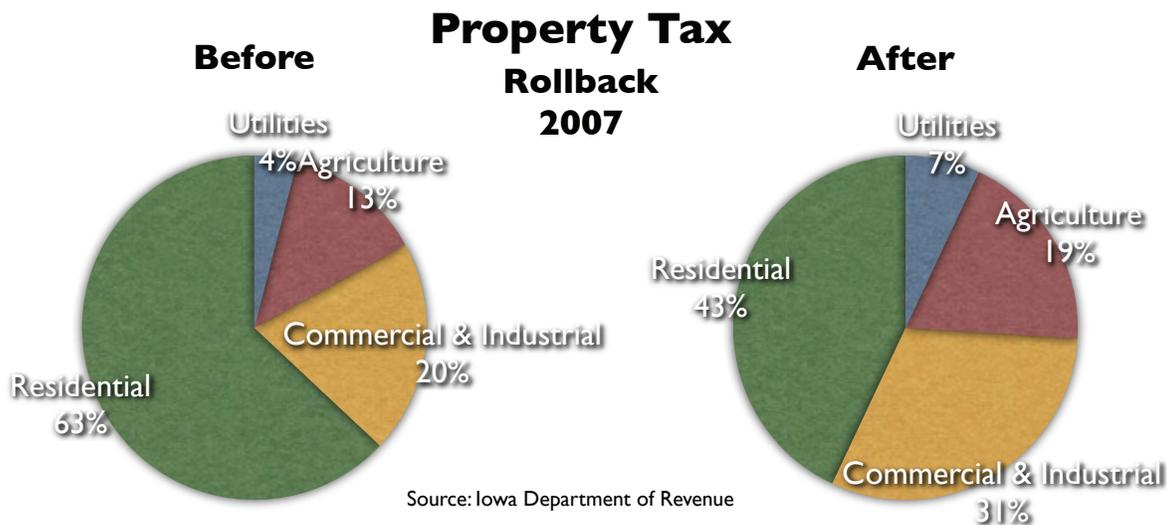
Another alternative should be to consider establishing a Commission to redesign Iowa's property tax system. The Commission would submit its plan to the Legislature and Governor who could either accept or reject the plan but not modify it. Inaction by the Legislature would make the plan law.

*Source: Minnesota Taxpayers Association, 2008 Report

• **Income Tax**

- Simplify the income tax system

The Alliance continues to call for simplification and the overall reform of the state income tax formula. Publications and statistical data used in marketing Iowa continue to show a skewed view of the true tax liability of companies and individuals by showing the combined rate of tax.



The Alliance believes the state should flatten and adjust the current income tax structure. This change would allow the state to maintain its income tax revenue stream while eliminating the confusion in marketing our state to prospective businesses. Eliminating federal tax deductibility, to reduce confusion in marketing our state, should not be done without taking into account the potential federal tax increase which could cause Iowans to pay more state income taxes. Iowa's tax reform should consider the impact of the federal income tax breaks, which are currently scheduled to expire January 1, 2011.

- **Entrepreneurship**

- Restore Venture Capital Tax Credits

The Alliance supports extending the existing Seed Capital Fund Investment Tax Credit, which expired in 2008, and replenishing the tax credits. Continuing these tax credits will help offset the risk involved in investing in high-tech, cutting edge businesses.

The Alliance recognizes that many tools offer the potential for fostering entrepreneurship. Iowa's business organizations, in partnership with the Iowa Department of Economic Development, must further identify the best practices, including strategies used in other states, then develop a comprehensive implementation plan and monitor its effectiveness.

- Maintain Research Activities Credits

This economic development tool has proven to be very effective in generating and retaining high paying technical positions in innovative companies throughout the state. The state's investments have resulted in private sector investments totaling nearly \$1 billion. Without research activities, companies cannot survive.

Attract and Retain a Highly Skilled and Educated Workforce

- **Workforce Development**

- Support K-12 education through bold, innovative recommendations

To improve Iowa's education system to meet the workforce needs of Iowa's new economy, the Alliance supports legislative solutions that can be enacted to better equip students to compete in the global marketplace and strengthen accountability. The Alliance also believes that a time of economic and budgetary challenges is the ideal time to pursue innovative policies to improve student achievement. To this end, the Alliance supports:

- Establishing state-level 21st Century learning standards and assessments focused on student achievement.

- Implementing the Iowa Core Curriculum with deliberate speed and aligning it with comprehensive student assessments that accurately measure critical learning skills at a comparative level globally, including the immediate implementation of a writing assessment.
 - Aligning the Iowa Core Curriculum with career pathway maps to build a stronger connection between the K-12 education system and the Iowa business community.
 - Improving and enhancing existing technology tools to better connect the workforce needs of businesses to school curriculums and students assessing future career pathways.
 - Fully implementing a career ladder to provide teachers enhanced merit-based compensation and more professional development opportunities for career advancement to enhance recruitment and retention of quality teachers.
 - Increasing the utilization of flexible and innovative school reform models such as charter schools.
 - Increasing focus on science, technology, engineering, and mathematics (STEM) learning.
 - Implementing initiatives to improve graduation rates.
 - Evaluating reform efforts to further implement year-round school and lengthen the school day and school calendar year, which could arguably improve student achievement, reduce juvenile crime, improve current workforce productivity, and better prepare Iowa's future workforce.
- Support 21st century standards by lengthening the school day and/or year

American children spend less time in the classroom when compared to many other developed countries. Currently, the school year is set at 180 days in Iowa. A handful of other states have implemented programs to extend the school day and/or year. Massachusetts has developed and implemented Expanded Learning Time (ELT). After two years of ELT implementation, the average proficiency rate across the first ten ELT schools increased significantly versus student performance in the same school the previous year.* To accomplish the performance goals set by the Institute for Tomorrow's Workforce, Iowa should consider extending the length of the school day and/or year.

Here is a partial list of countries and days in school, provided by eduinreview.com, indicating where the United States falls in comparison to other countries:

COUNTRY	DAYS OF SCHOOL
Japan	243
South Korea	220
Israel	216
Luxembourg	216
The Netherlands	200
Scotland	200
Thailand	200
Hong Kong	195
England	192
Hungary	192
Swaziland	191
Finland	190
New Zealand	190
Nigeria	190
France	185
United States	180

The Alliance believes that Iowa should lead the nation in education. Iowa should consider extending the length of the school day and/or year through pilot project(s). Although extending the school day and/or year is not the only answer to improving schools, it does allow more time for educators to provide students a quality education focusing on 21st Century learning standards as well as the basics.

**Source: The Massachusetts Expanded Learning Time Initiative 2007-2008 Annual Report*

- Strengthen workforce training, retention and recruitment to meet future workforce needs

Today's economic climate demonstrates the need to properly retrain workers to meet the skills demanded of Iowa businesses. Iowa's workforce needs to adjust as the economy dictates.

Rebuild and Improve Iowa's Infrastructure

• Road Use Tax Fund

- Implement TIME-21 (Transportation Investment Moves the Economy in the 21st Century)

With eight percent of Iowa's roads carrying 61 percent of the traffic and with the revenue to the road use tax fund decreasing, continuous investment in Iowa's public roadway system is essential to support economic growth and help attract new businesses to the state. Recent studies project that the need to preserve and build new roads and bridges in Iowa will far exceed available revenues.* The Iowa Legislature established an additional funding formula in 2007 creating the TIME-21 (Transportation Investment Moves the Economy in the 21st Century) Fund.

In 2008, the Legislature increased TIME-21 funding with a boost in revenues from increasing vehicle registration fees. Revenues from these fees will be divided among the state/primary road fund (60%), counties/secondary road fund (20%) and cities/street construction fund (20%).

The Alliance supports full funding of the TIME-21 formula. However, it believes current expenditures should be carefully scrutinized before considering additional, new revenue sources for funding.

- Revise the current Road Use Tax Fund (RUTF) formula to mirror the TIME-21 formula and expedite completion of high priority projects

On a per capita basis, the current RUTF formula allocates the most dollars to the least traveled roads and the least dollars to more highly traveled roads. The Alliance recommends a more equitable funding formula so that a larger percentage of road use tax dollars would be allocated to the primary state road system.

**Source: Iowa Department of Transportation*

Mileage and Vehicle Miles of Travel (VMT) by System

	Mileage* (as of Jan. '06)	% of Total Mileage	2005 Total VMT (1,000,000s)	% of Total VMT	2005 Large Truck VMT (1,000,000)	% of Total Large Truck VMT
Primary	9372.66	8.20%	19208	60.8%	2491	88.3%
Secondary	90075.12	79.20%	5481	17.4%	286	10.1%
Municipal	14338.75	12.60%	6879	21.8%	45	1.6%
TOTAL	113786.53		31568		2822	

**Source: Iowa DOT. This does not include the small amount of milage within Iowa's parks and institutions.*

- **Rail Service**

- Expand passenger rail service in the state

Last session, Iowa took steps to further expand passenger rail service in the state by passing legislation supporting prospects of expanding passenger rail service throughout the state. We encourage continued support and implementation of the DOT rail service plan.

- Increase funding to expand the infrastructure for rail service to industrial parks

The Alliance supports increasing the investment in the Iowa Department of Transportation (IDOT) Rail Revolving Loan and Grant Fund to help develop rail infrastructure. The freight rail system provides critical infrastructure for transporting commodities and commercial goods.

Sustain and Revitalize Iowa Communities

- **CAT and RECAT Programs**

- Continue funding and remove caps on CAT and RECAT

A matching fund supporting visionary community projects or destination attractions is important to grow local economies, attract visitors and retain businesses and workers for those businesses. Some funding is currently available through Iowa's Community Attraction and Tourism (CAT) and River Enhancement Community Attraction and Tourism (RECAT) programs administered through Vision Iowa.

The Board may make a multi-year commitment to a project up to a maximum of only \$4 million in any one fiscal year that funding is available. The caps are limiting the program's impact and should be removed.

- **Great Places Program**

- Continue funding the Great Places program at current levels

The intent of this program is to encourage collaboration among state agencies to deliver technical expertise and investment to invigorate the infrastructure and cultural amenities in Iowa regions, towns and neighborhoods. In its five-year existence, it has proven to be effective and distinctive from other state programs.

- Great Places grants have been leveraged an average of 10 to 1 by local communities.
- More than \$365 million in Great Places projects are currently in progress that will create 2000 construction jobs and 850 permanent jobs over the next two years.
- 26 Great Places have been designated since 2005.

- **Sustainability – A Green Agenda**

- Fund the Iowa Brownfield Redevelopment Program at \$3 million per year and raise the cap on the tax credit program

Communities need accessible funding for environmental site investigations prior to acquiring nuisance brownfield sites or brownfield sites that are preventing future redevelopment investment. By funding the Iowa Brownfield Redevelopment Program it allows sites that would normally be considered environmentally hazardous an opportunity to gain new use and life. The Alliance also supports raising the cap on the Brownfields and Grayfields Redevelopment Tax Credit Program, enacted during the 2008 legislative session to encourage green sustainable redevelopment efforts and to revitalize economically obsolescent and energy-inefficient structures and commercially blighted areas.

FEDERAL ISSUES

The Alliance has identified six key areas important to Iowa's economy at the federal level. All of the following issues impede economic progress in Iowa and require action by Iowa's Congressional delegation. The Alliance strongly opposes the looming deficit and the uncontrolled spending occurring at the Federal level. The national debt has exceeded \$11 trillion and some project that the depth is on a path to reach over 50% of the nation's gross domestic product. The interest on the nation's debt in 2009 was \$500 billion. A growing debt could mean higher taxes, cuts in government services and job losses.

Immigration

The Alliance welcomes immigrants who want to contribute to the economy, politics, culture and society in Iowa. The Alliance supports comprehensive immigration reform that includes streamlining the processes for highly skilled workers, raising the cap on H1-B visas, improving the international student visa system, allowing employers to recruit immigrant workers to fill labor needs when there is a shortage. The Alliance also supports investing and strengthening the E-Verify system to assist employers by providing a standardized system to determine employment eligibility and to ensure compliance with state and federal laws.

Social Security

After retirement, some workers choose to return to work while receiving their retirement benefits. The Alliance encourages federal officials to refrain from penalizing workers who return to work while still receiving social security benefits.

The Alliance supports creating a culture where saving and investing are encouraged and where capital gains taxes

are kept low. It also supports income tax relief to ease the burden on middle-class families. A review of the current Federal Income Tax formula needs to occur.

Affordable Healthcare

Affordable, high-quality healthcare is a priority in Iowa. It is vital to the state's economic development. Of the 47 million Americans without health insurance, over 60% are small business owners and their dependents or their employees and dependents. Iowa can be proud that it has the third lowest percentage of uninsured people in the nation* and that Iowa small business owners have a wide variety of insurance providers to choose from. However, the high and rising cost of healthcare makes providing health insurance to employees increasingly difficult for small businesses. The Alliance supports cost containment and strategies for decreasing the cost of health care delivery in Iowa.

The Alliance supports making affordable quality health care accessible for small business owners and their employees. The Alliance endorses state and federal legislation that promotes consumer-driven health care, such as Health Savings Accounts, Flexible Spending Accounts and increased use of wellness programs. The Alliance supports strengthening and expanding the current employer-based system while developing alternatives for individually-owned health coverage.

Also, Medicare, the single largest payer for care in Iowa, fails to pay its fair share here. Inadequate Medicare payments have a direct effect through increased private health insurance premiums. This places a burden on businesses that provide health insurance and makes it more difficult for the uninsured to afford health care. And, in the case of publicly financed health care providers, these inadequate payments result in increased property taxes.

**Source: U.S. Census Bureau, 8/2007 Report*

Maintain the Right of Secret Ballot and Oppose Binding Arbitration

The Alliance supports maintaining the right of employees to cast a private ballot when organizing unions. This will ensure that elections are fair and free of fraud – where employees can cast their votes confidentially and in private without peer pressure or coercion from unions or their employer. The Employee Free Choice Act (EFCA) or Card Check Bill will deny employees this right which would negate Iowa's Right-to-Work Law.

With the loss of private voting, the Card Check Bill could put government regulators in charge of private business decisions. If a union becomes certified, the business and union only have 120 days to reach an agreement before government intervention. At that time a group of government arbitrators can impose a two-year contract deciding all workplace terms – without a vote by the company or its employees.

Energy Policy

Recently, the American Clean Energy and Security Act of 2009 passed the U.S. House of Representatives. This particular bill has two components – cap and trade. The trading component can significantly increase the costs of doing business and living in Iowa. This component will impose extra costs on all customers when they have to pay for emission allowances that do nothing to reduce emissions and then again pay for the construction of new low- and zero-carbon power plants and other actions that actually will reduce emissions. The Alliance supports being responsible stewards of the environment, but does not support the trading aspect of this bill when it jeopardizes economic development and community sustainability.

Since 1973, U.S. energy production has grown only 13%, while U.S. energy consumption has increased 30%. Even when increases in efficiencies are taken into account, significant increases in demand are projected. The Alliance supports actions to ensure the development and deployment of affordable, reliable energy supplies that promote energy, economic development and national security.

Transportation

According to the Road Information Program, roughly one-third of the nation's major roads are in poor or mediocre condition. Current funding levels cannot sustain, let alone rebuild, our nation's infrastructure. Without changes, highways are facing 50% in funding cuts in 2010. Transit faces similar cuts in 2011. The Office of Management and Budget in its Mid-Session Estimates predicted a shortfall of \$3.1 billion for FY 2009 and Congress will likely have to fix the Highway Trust Fund as early as July of 2009.* The Alliance believes that Congress should adequately fund a surface transportation system capable of sustaining strong economic growth.

**Source: Americans for Transportation Mobility*

International Trade

With more than 57 million Americans working for companies that benefit from exports and with one-third of the United States economy being trade dependent*, trade policy is a key issue. In 2007, Iowa exported over \$5.2 billion in farm goods and \$12 billion in manufactured/value-added goods.** The Alliance supports efforts being made to eliminate trade barriers abroad as well as ensuring that markets at home remain open. Businesses must continue to fight isolationist practices.

**Source: U.S. Chamber of Commerce*

*** Source: Iowa Department of Economic Development*

ABOUT THE IOWA CHAMBER ALLIANCE

A Unified Voice for Economic Growth

The Iowa Chamber Alliance is a non-partisan coalition that represents 16 Chambers of Commerce and economic development organizations throughout the state. The mission of the Iowa Chamber Alliance is to put forth and enact an agenda to grow the state's economy through support of proactive programs that stimulate economic growth opportunities for the entire state and its residents.

Iowa Chamber Alliance Guiding Principles

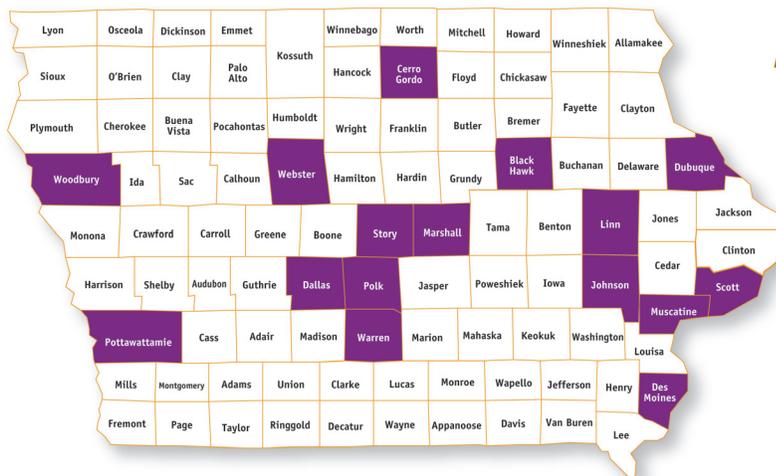
- We believe that by working together we can create significant, positive changes that will prepare Iowa for the future and ensure quality of life for its citizens.
- We believe Iowa needs strategic, aggressive, forward-thinking statewide policies and programs that stimulate strong economic growth that results in additional jobs and increased state and local revenues.

- Long-term statewide policies and programs that provide reliable economic development tools for encouraging business relocation, expansion and entrepreneurship in Iowa communities.
- A regulatory and tax climate conducive to making Iowa the most competitive location in the United States for attracting business expansion opportunities and fostering the growth of new and existing businesses.
- An ongoing funding mechanism for building infrastructure and amenities that improve the quality of life in Iowa communities.
- Streamlined governments at all levels that are efficient, cost-effective and responsive to business needs by finding ways to use tax dollars more wisely while improving their services.
- A long-term marketing plan that effectively promotes Iowa's positive distinguishing attributes to both internal and external audiences to position Iowa as the location of choice for operating a business, living and traveling.

The Alliance member communities include: Ames, Bettendorf, Burlington/West Burlington, Cedar Falls/Waterloo, Cedar Rapids, Council Bluffs, Davenport, Des Moines, Dubuque, Ft. Dodge, Iowa City, Marshalltown, Mason City, Muscatine and Sioux City.

Iowa Chamber Alliance

A unified voice for economic growth



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