

An Iowa Values Fund Reflecting Iowa's Values

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This past Labor Day, the Iowa Policy Project published *The State of Working Iowa, 2003*, a comprehensive survey of wages and working conditions in Iowa.¹ Among our findings:

- Despite some gains during the 1990s, Iowa remains – among its regional and national peers – a low-wage state. We continue to rely on a core of poverty-level employment (about one-fifth of all workers), and job projections suggest little prospect for growth outside low-wage sectors.
- Iowa's troubles are also reflected in the higher wage brackets: Iowans at the 80th wage percentile earn \$4 less than similar workers in Illinois and \$3 less than their national peers.
- With the continued evaporation of high-wage/core firm employment, Iowans can no longer rely on the safety net of private health and pension provision.

The primary goal of economic development policies, especially under these conditions, is not just to encourage growth and create jobs, but to encourage smart growth and create good jobs. The subsidy of anything less not only wastes a rare opportunity to shape our economic future, but also creates new burdens (Medicaid and HAWK-I, food stamps, reduced-fee school lunches, etc.) for beleaguered state and local budgets. For all of these reasons, we feel that the Grow Iowa Values Fund should make its commitment to high-wage employment growth both explicit and enforceable.

The “statutory purpose” of the Grow Iowa Values Fund – “to expand and stimulate the state economy, increase the wealth of Iowans, and increase the population of the state” – is dangerously vague and open-ended.² The drafting of administrative rules is an opportunity to more closely define those purposes and the ways we might achieve them. Yet the drafted rules duck this responsibility, requiring only [1.2(1)] that “an application should contribute to achieving one or more of such goals.” We all agree that public money should not be spent attracting more low-wage employment to the state. But, as drafted, the rules invite this possibility.

What about Wages? We find it troubling that, a few gestures aside, the draft rules contain no substantive, definable or enforceable provisions relating to wages, benefits or job quality. Indeed, at a number of points this draft-in-progress has *deleted* references to high-wage and high-skill jobs and substituted just “wage, job and education standards” [Section 1.5(2) and Section 3.2(2)]. The strongest statement of the Values Board's general principles can be found at 1.3 – a section that lists various elements of “smart growth” but is silent on wages or job quality.

What about Accountability? At various points, these rules refer to “evaluation criteria” (cover letter), “standards” [Section 1.5(2) and Section 3.2(2)], or “principles” [1.3(1-5)], but these are never proposed or raised as actual conditions of public assistance. While some planning principles (efficient use of land, etc.) appear at 1.3, their weight in actual decisions regarding public assistance is buried in obfuscation: “In reviewing applications for values fund assistance, the board, the committee and the department will encourage applicants to give consideration to the following principles.” Similarly, 1.5(2) specifies the components of an Iowa Values contract, but requires only

¹ Available from IPP at www.iowapolicyproject.org

² Contrast this with the goals of Governor Doyle's recently-released “Grow Wisconsin” initiative, a “vision for creating more good-paying jobs” whose “central goal is to raise Wisconsin incomes.”

that applicants describe the “wage, job and education standards” of any jobs created or retained. This description, as we have underscored above, does not rest on any evaluative standards or criteria – meaning that the letter and spirit of the law could be satisfied by the description of virtually any job at any wage. Rule 3.5 offers a slightly better sense of employment goals, requiring (at subsection 4) “a description of the jobs to be created or retained including information concerning wage rates and progression, continued education requirements, turnover rate, type of job, health benefits” But again, this is offered as a description of the application and not as a condition attached to it.

Our Suggestions: We have every reason to believe that the authors of this draft share our conviction that state subsidies should leverage smart growth and good jobs. We do not, however, share the assumption (embedded in this draft) that these goals can be left to administrative discretion or the grantees’ acceptance of them in the absence of clear criteria.

What we propose, in the place of the “principles” floated at 1.3, is a combination of wage- and job-quality thresholds similar to those in place for Iowa’s New Jobs and Income Program, a scoring system to weigh the merits of individual applications, and an enforcement mechanism to “clawback” assistance from recipients who do not satisfy the terms of their contracts.

- The wage threshold should be set at the higher of \$13.55/hr or 130 percent of the average wage in the county in which the project is located.³
- A similar threshold should be established for the “good business” measures (no violations of federal labor, safety and environmental law) in the current 3.5 (7).
- Other elements of the application – including the “smart growth” principles at 1.3 (1-5), and the targeted sectors listed at 3.2 (1) – should be redrafted into an assistance “scorecard.”

Model Language: All of this could be achieved by recasting the existing 3.2 along the following lines (and amending preceding and succeeding sections to reflect these changes):

3.2 (1) The committee and the board will consider all applications that would contribute to attaining the statutory values of the fund.

3.2 (2) All applicants must meet the high-wage, high-skill job and education requirements of the fund. Jobs created or retained with the assistance of the Iowa Values Fund must pay a threshold wage of \$13.55 or 130 percent of the relevant county wage, whichever is higher.

3.2 (3) All applicants must provide and pay at least 80 percent of health and dental insurance costs for all full-time employees at the new facility.

3.2 (4) All applicants must demonstrate a record of compliance with local, state and federal law relating to workers rights, workplace safety and environmental protection.

3.2 (5) All applicants must satisfy at least two of the following conditions: Offer a pension or profit-sharing plan, make daycare services available, annually invest no less than one percent of the Iowa facility’s pretax profits in research and development, have a productivity and safety improvement program in place, or annually invest no less than one percent of the Iowa facility’s pretax profits in worker training and skills enhancement.

3.2 (6) Applications which meet the conditions of subsections 2 through 5 above shall be scored according to the following criteria:

- *Targeted sectors (life sciences, advanced manufacturing, information solutions)*
- *Efficient and effective use of land, including conservation of open space and farmland*
- *Accessibility to public transportation*
- *Maintenance of local cultural, historical and environmental features*
- *Promotion of the safety, livability and revitalization of existing urban and rural communities.*

³ As reported in the press, \$13.55 is the wage at which an employee is presumed to pay his or her own way, in the sense of contributing taxes equal to the cost of providing public services. This figure came from the IDED advisory committee set up to develop a method for calculating a public return on investment for Iowa Values Fund projects.