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A **Iowa**
Chamber Alliance

A unified voice for economic growth

2020

2020 IOWA POLICY ISSUES

The Iowa Chamber Alliance (ICA or “The Alliance”) is a non-partisan coalition that advocates for economic growth policies and initiatives by representing leading Chambers of Commerce and economic development organizations across Iowa. The mission of the ICA is to drive a policy agenda that grows the state on behalf of our more than 17,000 members that range from small businesses to Fortune 100 companies. This effort includes developing a policy structure that encourages communities to build attractive places in which employers invest and employees thrive, showcasing local strengths that drive the state’s collective growth.

Our approach leverages the authentic assets of each community to intentionally develop an attractive place to live and work. Most notably, Iowa consistently ranks highly in the area of “Opportunity” according to the *US News and World Report* annual ranking of “Best States,” including when we were identified as the “#1 Best State” in 2018. “Opportunity” combines affordability, economic opportunity, and equality. Each of our communities have different assets to build upon; ICA encourages the Legislature to take advantage of existing value available statewide through work in four main areas:

TALENT
ECONOMIC DEVELOPMENT
BUSINESS CLIMATE
INFRASTRUCTURE

The Alliance respectfully presents this agenda to the Governor, Legislature and to all Iowans for consideration in the 2020 legislative session. As various policy proposals are developed and debated, the shared goal ought to involve growing Iowa’s economy in an inclusive and beneficial way with specific support for:

- Fully funding the Future Ready Iowa Initiative;
- Addressing barriers to employment such as student debt repayment or access to child-care;
- Consideration of funding tools for quality of life projects;
- Supporting education at all levels from pre-school through post-high school options;
- Growing the economy through capital investment;
- Developing and supporting incentives with proven return in targeted industries;
- Supporting the Empower Rural Iowa Initiative; and
- Planning for long-term infrastructure investment.

TALENT

Since 1900, Iowa has grown less than 1% annually and current demographic trends put extreme pressure on our businesses. Iowa has one of the lowest unemployment rates in the nation, exacerbating already urgent workforce issues. Iowa businesses continue to struggle to find qualified candidates, with the appropriate skills, who are ready to work. Workforce training programs are extremely important, but this should be coupled with a focus on attracting new Iowans and developing the next generation through education from pre-school onward.

Talent Development & Attraction

ICA will continue to push for **full funding of the Future Ready Iowa initiative** and continued support of its strategic objective to “build Iowa’s talent pipeline.” We also support programs and training opportunities such as the Iowa Industrial New Jobs Training Program (260E) and the Iowa Jobs Training Program (260F), and Iowa’s Registered Apprenticeship Programs, as these programs offer direct access to skilled training for employers. These programs expand Iowa’s workforce through new employee training, increasing employee skillsets, and improving productivity for employers. In addition, we support conversations about **student loan repayment strategies** for Iowans with post-secondary degrees and addressing lapses in the provision of child-care in our state.

The ambitious goal of growing Iowa’s population at an accelerated pace will require a variety of strategies that include looking for opportunities to:

- Ensure state workforce and economic development programs have the ability to address the most pressing **employee needs like child-care** and student debt;
- Incentivize and develop opportunities for former Iowans to return;
- Retain more Iowans from our community colleges, private colleges and universities, and the Regents institutions with potential tools to encourage their graduates to become lifelong Iowans;
- Address disparities within public support systems to avoid a “cliff effect” that acts as a disincentive for potential employees;
- Reintegrate Iowans into the work force who deserve a second chance including fully supporting the Governor’s Criminal Justice Work Group as it balances the needs of the new employee and their future employer;
- Attract new Americans by pushing for a uniform immigration system across all states to vet international talent and policies that welcome those new Americans to Iowa.

Placemaking

Creating attractive places for people to live and work includes **developing quality of life projects that leverage local communities’ assets**. Community placemaking projects and recreational opportunities are vital components of Iowa’s workforce attraction and retention strategy. All across the state, each community offers something different that can be enhanced to appeal to current or future workforce. ICA supports partnerships between the state and local communities through sustainable and perma-





nent funding sources and the continued funding for programs to do this such as the Community Attraction and Tourism grant program and the Iowa Mainstreet grant program.

ICA will also advocate for any potential sales tax increase that triggers Iowa's Water and Land Legacy (IWILL) to include resources for regionally transformative quality of life projects and addresses tax disparities that impact our overall tax climate. We support communities across the state as they develop large scale quality of life projects to attract talent and need the state's support in addressing our tax disparities that act as an automatic denial for outside investment.

Education

Preparing Iowa's future workforce means providing a quality education that readies high school graduates for a four-year college, community college, or a vocational training course – all without need for academic remediation – remains a top priority for ICA. This will require sufficient funding for schools; a continued emphasis on STEM; continued adherence to the Iowa Core and a rigorous assessment tool; and additional reforms to elevate Iowa's student achievement.

ICA supports action on K–12 funding that allows schools to certify their budgets on time, is equitable across the range of Iowa's diverse school districts and is at a level that is both appropriate and sustainable. As the state addresses the child-care needs of employees, we support a review for resources and provision of pre-school programs to ensure children are provided early opportunities and a strong foundation for life-long learning.

ICA encourages **all levels of education – Pre-K–12, community colleges, public and private colleges and universities – to understand the needs of the employment marketplace to ensure workforce-ready graduates.** There should be a conscious pursuit of alignment, coordination, and collaboration between business, government, and educational institutions to offer seamless opportunities that best meet the needs of Iowa's students and workplaces. ICA supports and values robust vocational and higher education programs that further develop a reliable talent pipeline.

ECONOMIC DEVELOPMENT

To support our mission of growing the state, ICA focuses on economic growth as a key driver to grow Iowa's population by attracting and retaining business and talent.

ICA supports the Iowa Economic Development Authority's (IEDA) concentration on expanding markets in which the state is already a recognized leader. We seek opportunity to **design responsible incentives that help attain innovative projects** and develop business in advanced manufacturing, bioscience, and financial and insurance sectors; creating jobs, while ensuring transparency, accountability, and a return on investment for Iowa taxpayers.

Given the competitive economic development environment, Iowa must continue to provide valuable economic development tax credits and programs that complement Iowa's tax code and attracts business investment. While ICA supports tax credits and programs that have documented returns and clear objectives, we also oppose changes to or the elimination of economic development-oriented tax credits without regular



and comprehensive review for usefulness, efficacy and return on investment.

Economic Development Tools

ICA views incentives as an integral part of our state's success. Economic development tools should grow capital investment, increase wages and achieve quality job creation. ICA supports the following incentive programs:

- **Research Activities Credits (RAC):** Iowa's RAC has been utilized as a model by other states to incentivize additional investment in research and development. Companies must balance substantial financial risk with market profitability and this credit allows businesses to strategically plan for the long-term.
- **Angel Investor Tax Credit:** This credit encourages investment in start-up companies in Iowa, boosting new business and the general economy.
- **Renewable Fuel and Biochemicals:** Iowa leads the nation in biofuel production and biochemical development, putting the state in a unique position to launch further innovation.
- **High Quality Jobs Credits:** This program is one of the main tools for IEDA to attract new business and incentivize expansion in Iowa's leading industries.
- **Workforce Housing Tax Credits:** Housing remains a huge area for growth in a majority of Iowa's communities. ICA supports expanding this credit to address project backlogs by increasing the amount of money available and individualizing the thresholds for projects to reflect Iowa's diverse communities and their specific workforce housing needs.
- **Iowa Jobs Training Programs (260E and 260F):** Administered by Iowa's 15 community colleges, these programs expand Iowa's workforce through new employee training that increases employee skillsets and improves productivity. The success of the program in working with the community colleges could also be used as a model to address other barriers in workforce development and attraction.
- **Historic Preservation Credits:** The tax credit aids the revitalization of historic properties that have the potential to catalyze surrounding growth.
- **Redevelopment Tax Credits:** Otherwise known as the "Brownfields/Grayfields Tax Credit," this incentive promotes investment by addressing environmental issues that would otherwise be cost prohibitive to development.

Finally, ICA is supportive of policy tools available to local governments such as Tax Increment Financing and abatement, as these are sometimes the most critical element in decisions that attract and expand business. Utilized prudently, they generate significant return on investment and have positive long-term growth benefits for communities.

Rural Initiatives

ICA supports the goals of the Reynolds-Gregg Administration's Empower Rural Iowa Initiative, which focuses on rural and small community economic development. Although we represent the state's largest Chambers of Commerce, the laborsheds of our members expand well beyond any immediate jurisdictional boundaries. There-

fore, we understand the need to remove barriers for rural communities and spur economic growth, as we recognize that strengthening our rural partners will benefit all of Iowa.

We also support pro-growth business strategies for value-added agriculture, which could include discussions on the industrial hemp and Cannabidiol (CBD) oil industries and developing products that capture additional value within the state. This includes clarifying state regulations on hemp-derived products, as permitted to the extent of federal law – recognizing the less than three-tenths of a percent or less and non-hallucinogenic amounts of Tetrahydrocannabinol (THC) in such commodities.

BUSINESS CLIMATE

ICA is committed to improving Iowa's general business climate through tax code improvements, sensible regulatory structures, and myriad infrastructure investments to ensure a policy environment that spurs business growth. We recognize the positive changes to the tax code in 2018 and our members continue to reap the benefits as full implementation takes place. Nonetheless, Iowa has the second highest corporate income tax rates in the country. ICA recognizes the impact that this status may have on the state's competitiveness for potential economic development projects and seeks ongoing reform.

Taxes

ICA maintains that Iowa's property tax code remains overly complex and burdensome. Iowa's poor ranking (42nd) for business climate in the Tax Foundation's *2020 State Business Tax Climate Index* is no longer accurate measure, as the income tax reforms of 2018 are not reflected in the study and have yet to achieve full implementation. That said, Iowa's adjusted top corporate rate of 9.8 percent is lower than only Pennsylvania and New Jersey. This high advertised rate excludes Iowa from even competing for prospective economic investments. We will advocate for any potential sales tax increase to address this rate where a lowering to 8 percent can have a dramatic impact to the attracting of outside investment.

Despite the improved overall ranking, the Tax Foundation ranked Iowa's business property taxes 39th in the nation for competitiveness. This is a result of increased valuations and assessments since reforms were passed in 2013, effectively erasing any positive impact. In addition, the structural problems have been present for 40 years and are a direct result of different treatment of the four main classes of property taxpayers. The reform from 2019 provide increased transparency for property taxpayers but did not fundamentally address any differential treatment.

ICA will utilize the following principles to guide its analysis and advocacy for any tax reform proposals that include rate reductions for corporate income tax, and comprehensive property tax reforms that treat commercial and industrial classes of property taxpayers fairly and equitably:

COMPETITIVE: Tax reform ought to be geared to make Iowa more competitive: fewer brackets, targeted exemptions, effective credits, and lower rates for personal, small business, and corporate income taxes, and less complex and burdensome for commercial and industrial property taxes.

INVEST IN GROWTH: Programs, credits, and incentives should be focused on spurring economic growth across diverse industry categories. These incentives have a demonstrated return on investment and



need to be encouraged and treated differently than other tax credits.

SIMPLE: Iowa's tax code is unnecessarily complex, and any changes must seek to make it simpler. Iowa's tax code must be understandable to taxpayers and attractive to outside investment.

PERMANENT, PREDICTABLE AND CERTAIN: A well-crafted tax policy will have permanence, avoid short-term changes, and ensure the predictability of Iowa's tax landscape so businesses can make long-term investments in Iowa. Any changes ought to require minimal interpretation by the Iowa Department of Revenue. Clarity and certainty need to be in the Code.

FAIR AND RESPONSIBLE: Tax policy should be equitable and not favor one classification of business over another. Any changes to the tax code should not inflict harm on the overall fiscal health of state or local governments.

TRANSITION PATH: How we transition from the tax code of today to the tax code of tomorrow is equally as important as the reform itself and, if done correctly, satisfies the "responsible" condition listed above.

We understand that changes to the tax code are challenging, so we also urge the state to utilize innovation to attract potential new investment, such as allowing businesses to organize as Benefit Corporations or "B-Corps" to attract entrepreneurs interested in the incorporation of social responsibility into their money-making practice which also attracts younger talent to the state.

Sound Budgeting

The fiscal health of state and local governments proves to be a determining factor in attracting and retaining businesses. Accordingly, a concerted effort to regularly modernize and reform budget practices must be made. This includes multi-year budgeting and strategically reviewing expenditures with a focus on major cost drivers. ICA supports efforts to reduce revenue demand from local and state governments through public pension reforms and other measures that could positively impact local government budgets without tax increases.

ICA supports providing adequate funding to meet existing budget obligations. From a legislative perspective, this may include providing tax credits and backfill to local governments, as was promised during the 2013 property tax reforms. Rescinding the backfill will result in a de facto local property tax increase on property, which we argue is otherwise disproportionately paid by Iowa businesses.

Reasonable & Predictable Regulation

ICA continues to support state cooperation with businesses and stakeholder organizations to conduct periodic review and cost-benefit analysis of agency rules and regulations. Such reviews help ensure a minimally invasive and efficient regulatory environment. Rules and regulations should be evaluated for necessity, effectiveness, cost-efficiency, enforceability, and financial impact. Regulatory stability and responsiveness must be recognized as critical components of a healthy business climate.

Cybersecurity is an increasing concern for our members who experience attacks from both physical and digital threats. As our economy continues to move in a digital direction, we must balance the free flow of commerce and information and safeguarding our businesses and consumers from cybersecurity risks.

INFRASTRUCTURE

Economic development happens where infrastructure is available to serve the needs of the project. Roads and bridges, water and sewer, energy and telecommunications infrastructure all require long term, reliable investment – investment in which Iowa has dedicated minimal resources. ICA supports regular review of Iowa’s infrastructure needs at the state and local levels. We also encourage long-term planning and examination of innovative funding mechanisms, such as public-private partnerships and alternative project delivery methods that protect taxpayers and make the necessary resources available for these significant capital investments, including aligning with potential federal infrastructure initiatives.

As programs such as the Iowa Reinvestment Act and the Flood Mitigation Program undertakings near completion, we encourage the state to think about the next large transformative investment in multiple communities across the state. This includes pushing for policies that support financing these projects and providing the legal framework for projects that cross jurisdictional lines at the state, county, and city levels.

Water

Aging infrastructure and mandated improvements have the potential to increase rates for the provision of water and wastewater service. Affordable rates and the capacity for growth are key elements in attracting and retaining businesses. ICA continues to support additional funding sources and flexible policies that sufficiently address necessary water infrastructure improvements in the future, which register in the billions of dollars across the state. Additional resources should include establishing access to capital at scale to address the more than \$1.5 billion needed for point sources to implement the Iowa Nutrient Reduction Strategy along with other maintenance and upgrades for water infrastructure.

Transportation

ICA encourages a continued conversation about the long-term funding needs of the Road Use Tax Fund in order to sustain Iowa’s transportation infrastructure. Additionally, ICA reiterates its call for a reexamination of the distribution of those dollars to follow the TIME-21 formula more closely.

ICA also supports investment in the improvement of Iowa’s railways and funding of intermodal rail and transportation hubs. ICA also remains committed to leveraging federal dollars to invest in passenger rail and other strategic transportation infrastructure.

Air service has the potential for an outsized impact in the attraction and retention of economic opportunities. At a minimum, the state should partner with communities to sustain current funding and service levels. In terms of future growth, there are substantial resources needed to upgrade our airport infrastructure.

Connectivity

ICA recognizes that access to broadband can bridge gaps for any community to have a far more impactful reach in the 21st Century. Broadband investment should be pursued as aggressively as any other targeted industry – through a positive business climate, competitive tax treatment, appropriate incentives, and a light-touch regulatory



posture that is geared toward the future, not the past. Iowa needs to undertake a concerted effort to attract broadband investment, regardless of platform, from local, regional, and national providers, in order to put in place the broadband infrastructure necessary for our economic future.



ABOUT THE IOWA CHAMBER ALLIANCE

A Unified Voice for Economic Growth

The Iowa Chamber Alliance is a non-partisan coalition that represents the leading Chambers of Commerce and economic development organizations throughout Iowa that focus on promoting economic growth policies and initiatives. The mission of the Iowa Chamber Alliance is to drive a policy agenda to grow the state of Iowa on behalf of our over 17,000 members who range from small businesses to Fortune 100 companies. Growing the state includes developing a policy structure where communities can build attractive places for employers to invest and for employees to find opportunities to thrive in those investments.

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, resulting in additional jobs and increased state and local revenues
- We support:
 - 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 state in the nation 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 services.
 - A long-term marketing plan that promotes Iowa's positive distinguishing attributes to both internal and external audiences, positioning Iowa as the location of choice for operating a business, living and traveling.

The Iowa Chamber Alliance is a non-partisan coalition representing some of the largest Chambers of Commerce and economic development organizations throughout Iowa.



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