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## Bending the Rules: The Grow Iowa Values Fund Report Shows Values Fund Falling Short on Job, Wage Goals

DES MOINES, Iowa (July 8, 2004) – Rules to implement the Grow Iowa Values Fund need to be strengthened to assure the fund’s promise of good jobs at good wages, an Iowa researcher said Thursday.

“The governor and legislators proposed, celebrated and funded the Values Fund as a way to create jobs and raise wages in our low-wage state. Unfortunately, it has fallen short on both counts through its first months of operation,” said Colin Gordon, author of a new report for the nonpartisan Iowa Policy Project (IPP).

“If Iowa is to take the high road in economic development, legislators need to link subsidies to sustainable, high-wage employment. Otherwise, they could be encouraging a need for more subsidies – in the form of Medicaid and food stamps – to make up for the inadequacies of those jobs,” said Gordon, a University of Iowa history professor who analyzes wage and employment trends for the IPP.

The Values Fund was struck down by the Iowa Supreme Court last month following a legislative challenge to the governor’s item vetoes in the legislation that created it. David Osterberg, executive director of the Iowa Policy Project, said the report offers the governor, legislators and the Grow Iowa Values Board a road map to improve on the legislation when it is reintroduced.

“This is a good opportunity for policy makers. This analysis shows the holes in the original legislation, so they can pass a better law and assure better rules,” Osterberg said.

The report focuses on three problems with the Values Fund, according to Gordon:

- Wage and job thresholds in the board’s rules are too low. In fact, as approved, the fund “is as likely to bid down local wages as it is to raise them.”
- Values Fund rules are full of loopholes, which allows awards to firms paying “dismal” wages or awards for creation of few or no new jobs.
- Guarantees are weak for compliance with expectations for future wages, job creation or job retention.

These problems detract from the goal of offering economic development incentives that do not hurt the tax base during a budgetary crisis, according to Gordon.

“The wage standards in the Values Fund rules are pretty meager. In fact, Iowa has existing economic development programs with stronger standards,” Gordon said.

“Instead of ‘bidding up’ local wages, the Values Fund runs the risk in some areas of doing the opposite. Part of this comes in setting a ‘benchmark’ wage that is too low, by eliminating some high-wage jobs from the average, and by allowing companies to pick the lowest average for their region,” Gordon said.

“In addition, the Values Fund rules exempt up to half of the jobs covered by an award. These, of course, are the jobs where we need to encourage better pay, so there is less of a need to depend on other state services.

“Besides a problem with accountability to Iowans, this contributes to a race to the bottom – and that’s something the Values Fund should help us to avoid.”

The Iowa Policy Project is a nonprofit, nonpartisan research organization based in Mount Vernon. IPP reports are available to the public, free of charge, on the web at [www.iowapolicyproject.org](http://www.iowapolicyproject.org).

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