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## Special Challenges for Special Session Job Quality, Accountability Missing from Discussions at Statehouse

DES MOINES, Iowa (Sept. 2, 2004) – Iowa legislators need to keep job quality and fiscal responsibility in mind next week when they return for a special session to restore the Grow Iowa Values Fund, two independent policy groups said today.

“This special session comes at a touchy time,” said Victor Elias, senior associate at the Child & Family Policy Center in Des Moines. “As we know, an election is coming, so legislators need to be careful to make good decisions for the long term, not just what’s going to sound good in a radio or TV ad in three weeks.”

David Osterberg, director of the Iowa Policy Project in Mount Vernon, said the proposals to be discussed need careful consideration.

“I’m really concerned whether a one-day special session will address our biggest challenges – job quality and health care,” Osterberg said. “We just saw last week the new Census figures that show wages are down and over 300,000 Iowans don’t have health insurance. How can we pass a jobs-creation program that doesn’t make sure Iowans are paid more and get benefits?”

Elias and Osterberg both said the Values Fund and one of the pieces of the deal – an accelerated tax break for some business purchases – have flaws that undermine their stated intent.

“The Values Fund in its brief life has not performed as advertised,” Osterberg said. “It is promoted as a way to create good-paying jobs that raise wages in the state. It does produce some – but not as many as it could, and we’re talking about the use of public dollars here. The Values Fund should not simply be reinstated in this session; it should be strengthened, to require that the jobs being subsidized are raising the floor of pay and benefits.”

Osterberg noted a report in July for the IPP by University of Iowa professor Colin Gordon, who found three general problems with the fund:

- The wage and job thresholds are too low in the rules governing the fund – so low that the program is as likely to bid down local wages as it is to raise them.
- Loopholes in the rules make it too easy for the board to make awards to firms that will pay dismal wages, or create too few jobs.
- There is little accountability to assure recipients will abide by requirements for future wages, job creation or job retention.

Osterberg said the new Values Fund legislation should assure that rules implementing it will be stronger, to correct deficiencies cited by Gordon’s paper.

“We have to take out the wiggle room,” Osterberg said. “We shouldn’t be allowing our tax dollars to encourage jobs that actually lower the average wage in a county, which is what happened with the first Values Fund award, to Wells Fargo.”

Elias said one of the tradeoffs in the deal between the governor and legislative leaders for the special session – the so-called “bonus depreciation” tax writeoff for businesses – will not stimulate the Iowa economy, and should be tailored so that it doesn’t hurt cash flow for the state.

“At least the way this has been presented, the writeoff will apply to half of the cost of purchases made from September 2001 through the end of this year,” Elias said. “That means businesses will get a tax break for decisions they already made, so it really is not an incentive, but a windfall. In tight budget times in Iowa with serious cuts in services, it’s hard to defend a windfall giveaway of up to \$70 million.”

Elias recommended four steps to encourage fairness, accountability and revenue savings with this proposal:

- Do not make it retroactive.
- Limit the amount any one filer can claim (\$500,000).
- If no limit is imposed, make any claim above a certain amount (\$500,000 for a filing period) an open record, with Department of Revenue reporting on those making claims and the sizes of their claims.
- Simplify filing for small businesses, so they are not disadvantaged vs. larger competitors with more accounting resources.

These changes would help address important challenges in Iowa’s job climate. The state has not recovered from the 2001 recession, with the latest government figures reporting the state down 28,000 jobs from March 2001. That net figure reflects both jobs lost and gained, with separate research indicating a net loss of job quality as well.

Iowa’s job increases generally have come in industries that are less likely to offer health-care benefits; job declines generally have come in industries (manufacturing) that are more likely to offer those benefits. Further, Iowa’s median income is falling. According to the Census, Iowa’s median income fell 6.5 percent, or about \$2,900, from 1999-2000 to 2002-03.

In fact, the Census reported last week that the number of uninsured in Iowa grew from 246,500 in 2001-02 to 303,000 in 2002-03, or from 8.5 percent of Iowans to 10.4 percent. These growing ranks of uninsured are due to a decline in employer-provided health-care benefits. According to the Census, 67.3 percent of Iowans had employer-provided health benefits in 2001-02, with that average falling to 65.4 percent for 2002-03. That 1.9-point drop matches the increase in the proportion of Iowans uninsured.

Reports on these topics are available at the Iowa Policy Project website, [www.iowapolicyproject.org](http://www.iowapolicyproject.org) <<http://www.iowapolicyproject.org>>.

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