



## BILL SUMMARY

# Economic Development Budget SF 499

Status of Bill: House Calendar  
 Committee: Eco Devo Budget Sub(5-4) Appropriations (14-11)  
 Lead Democrats: Rep. Running-Marquardt  
 Floor Manager: Rep. Deyoe  
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April 30 2015

## Background

The bill contains funding for the Department of Cultural Affairs, Department of Economic Development, Workforce Development and for the Skilled Worker Job Creation Funds. The bill appropriates \$44.3 million from the general fund, an increase of \$1.7 million more than FY 15.

The House Amendment proposes spending \$41.4 million, \$1.2 million less than FY 15 and \$2.9 million less than proposed by the Senate.

The bill also appropriates \$33.86 million from other funds, an increase of \$250,000 from FY 15. Of the \$33.86 million in other funds, the Skilled Worker Job Creation Fund accounts for \$25.7 million. FY 17 budgets are 50% of FY 16 number.

<u>GENERAL FUND</u>	Estimated FY 2015	SF 499	House	House vs FY 15	House vs Senate
Department of Cultural Affairs	5,714,011	5,714,011	5,698,611	-15,400	-15,400
Economic Development Authority	17,694,505	18,544,505	15,898,592	-1,795,913	-2,645,913
Iowa Workforce Development	17,071,918	17,915,795	17,705,080	633,162	-210,715
PERB Board	1,342,452	1,342,452	1,335,452	-7,000	-7,000
Iowa Finance Authority	658,000	658,000	658,000	0	0
ISU-SBDC	101,000	101,000	101,000	0	0
<b>Total</b>	<b>42,581,886</b>	<b>44,275,763</b>	<b>41,396,735</b>	<b>-1,185,131</b>	<b>-2,879,028</b>

### Department of Cultural Affairs (DCA)

<u>GENERAL FUND</u>	Estimated FY 2015	SF 499	House	House vs. FY 15	House vs Senate
Administration Division	176,882	176,882	161,482	-15,400	-15,400
Community Cultural Grants	172,090	172,090	172,090	0	0
Historical Division	3,167,701	3,167,701	3,754,032	586,331	586,331
Historic Sites	426,398	426,398	0	-426,398	-426,398
Arts Division	1,233,764	1,233,764	1,233,764	0	0
Great Places	150,000	150,000	150,000	0	0
Archiving Former Governors Papers	65,933	65,933	0	-65,933	-65,933
Records Center Rent	227,243	227,243	227,243	0	0
Battle Flag Stabilization	94,000	94,000	0	0	0
<b>Total DCA</b>	<b>5,714,011</b>	<b>5,714,011</b>	<b>5,698,611</b>	<b>-15,400</b>	<b>-15,400</b>

- Under SF 499, the Department of Cultural Affairs receives status quo funding in FY 15.
- The House amendment rolls the line items for Historic Sites, Archiving Governor Papers and Battle Flag Stabilization into the Historical Division to give DCA more flexibility.
- The House Amendment cuts DCA Administration Division by \$15,400.

### Iowa Economic Development Authority (IEDA)

<u>GENERAL FUND</u>	Estimated FY 2015	SF 499	House	House vs. FY 2015	House vs Senate
Economic Development Appropria- tion	15,516,372	15,766,372	14,720,459	-795,913	-1,045,913
World Food Prize	800,000	800,000	800,000	0	0
Iowa Comm. Volunteer Ser.- Promise	178,133	228,133	178,133	0	-50,000
Councils of Governments Assistance	200,000	250,000	200,000	0	-50,000
STEM Scholarships	1,000,000	1,000,000	0	-1,000,000	-1,000,000
Home Base Iowa Marketing	0	500,000	0	0	-500,000
<b>Total EDA</b>	<b>17,694,505</b>	<b>18,544,505</b>	<b>15,898,592</b>	<b>-1,795,913</b>	<b>-2,645,913</b>

The Senate budget proposes spending \$18.5 million in FY 16, an increase of 850,000 over FY 15. The House amendment proposes spending \$15.9 million, a decrease of \$1.8 million from FY 15 and \$-2.6 million less than the Senate.

- The House Amendment appropriates \$14.7 million for the Economic Development Authority, a decrease of \$795,913 from FY 15 and \$1,045,913 less than the Senate. **NOTE:** The House backfills the Economic Development Authority with \$700,000 from the High Quality Jobs fund.
- The Economic Development Authority receives an increase of \$150,000 to support Iowa small businesses to expand sales to both national and international markets. This money is not provided in the House amendment.
- IEDA is required to transfer \$100,000 to the Department of Transportation for the Iowa Employment Rides Fund created in the Senate budget proposal. The funding and language are struck in the House amendment.
- The House does not fund the \$1 million STEM scholarship program. The program receives status quo funding under the Senate budget.
- SF 499 proposes increasing the Commission on Volunteer Service by \$50,000. The House amendment has status quo funding.
- COGS receive an increase of \$50,000 under the Senate plan, status quo in the House amendment.
- There is a new line item for \$500,000 for Home Base Iowa Marketing which seeks to increase the hiring of returning veterans by Iowa companies and other establishments. While the line item appropriation is new, IEDA has been using some current funds for this purpose. The House budget provides no funds for this line item.

### ISU Small Business Development Centers

<u>GENERAL FUND</u>	Estimated FY 2015	SF 499	House	House vs. FY 2015	House vs Senate
ISU - Economic Development	101,000	101,000	101,000	0	0

Status quo funding from the general fund for both House and Senate. SBDC's also receive funding from the Skilled Worker and Job Creation Fund (total minimum funding available is \$836,728).

**Iowa Workforce Development (IWD)**

<u>GENERAL FUND</u>	Estimated FY 2015	SF 499	House	House vs. FY 2015	House vs Senate
IWD - Labor Services Division	3,823,539	4,667,416	4,492,416	668,877	-175,000
IWD - Workers' Comp Division	3,259,044	3,259,044	3,259,044	0	0
IWD Operations - Field Offices	9,179,413	9,179,413	9,143,698	-35,715	-35,715
Offender Reentry Program	358,464	358,464	358,464	0	0
Employee Misclassification	451,458	451,458	451,458	0	0
<b>Total IWD</b>	<b>17,071,918</b>	<b>17,915,795</b>	<b>17,705,080</b>	<b>633,162</b>	<b>-210,715</b>

The Senate budget proposes spending \$17.9 million for Iowa Workforce Development; the House amendment is proposing \$17.7 million.

- Both the Senate and House budget proposals contain \$668,877 to support Occupational Safety and Health Administration Consultation Programs. The OSHA On-Site Consultation Program offers free and confidential safety and occupational health advice, with priority given to high-hazard worksites.
- SF 499 directs the labor services division to spend \$175,000 to hire 3 additional wage theft investigators. The House does not contain funding for extra wage theft investigators.
- The House budget amendment cuts funding for IWD field offices by \$35,715. The Senate budget provides status quo funding for field offices.

**Public Employment Relations Board**

<u>GENERAL FUND</u>	Estimated FY 2015	SF 499	House	House vs. FY 2015	House vs Senate
PERB Board-General Office	1,342,452	1,342,452	1,335,452	-7,000	-7,000

Under the Senate budget, PERB receives status quo funding. The House budget amendment cuts the PERB budget by \$7,000.

**Iowa Finance Authority (IFA)**

<u>GENERAL FUND</u>	Estimated FY 2015	SF 499	House	House vs. FY 2015	House vs Senate
Rent Subsidy Program	658,000	658,000	658,000	0	0

IFA receives status quo funding in from both the House and Senate in FY 16

**Skilled Worker Job Creation Fund**

<u>Board of Regents</u>	Estimated FY 2015	SF 499	House	House vs. FY 2015	House vs Senate
ISU - Economic Development	2,424,302	2,424,302	2,424,302	0	0
UI - Economic Development	209,279	209,279	209,279	0	0
UI - Entrepreneurship & Economic Growth	2,000,000	2,000,000	2,000,000	0	0
UNI - Economic Development	1,066,419	1,066,419	1,066,419	0	0
Regents Innovation Fund	3,000,000	3,000,000	3,000,000	0	0
<b>Total Regents</b>	<b>8,700,000</b>	<b>8,700,000</b>	<b>8,700,000</b>	<b>0</b>	<b>0</b>

	<b>Estimated FY 2015</b>	<b>SF 499</b>	<b>House</b>	<b>House vs. FY 2015</b>	<b>House vs Senate</b>
AMOS-Mid-Iowa Org Strategy	100,000	100,000	100,000	0	0
<b>High Quality Jobs</b>					
High Quality Jobs	16,900,000	16,900,000	16,200,000	-700,000	-700,000
<b>Total High Quality Jobs</b>	<b>16,900,000</b>	<b>16,900,000</b>	<b>16,200,000</b>	<b>-700,000</b>	<b>-700,000</b>
<b>Total Skilled Worker Job Creation Fund</b>	<b>\$25,700,000</b>	<b>\$25,700,000</b>	<b>25,700,000</b>	<b>0</b>	<b>0</b>

In the Senate budget, the regents institutions and the High Quality Jobs program receive status quo funding from the Skilled Worker job creation fund. The House amendment Takes \$700,000 dollars and directs it to EDA to make up for their general fund cut.

- Allows IEDA to use no more than \$1 million of High Quality Jobs Funds for Main Street Iowa.
- **Iowa State University** receives status quo funding from the skilled worker job creation fund for FY16, \$2.42 million, which helps fund Small Business Development Centers and the Iowa State University Research Park. The bill requires at least \$735,728 of their appropriation fund small business development centers.
- **University of Northern Iowa** receives status quo funding from the skilled worker job creation fund for FY 16, \$1.06 million. The appropriation for economic development activities at the University of Northern Iowa funds the Institute for Decision Making, the MyEntrenet service and the Metal Casting Institute
- **University of Iowa** receives status quo funding from the skilled worker shortage fund for FY 16, \$2.2 million. The appropriation supports the University of Iowa research park and the advanced drug development program.
- **Regents Innovation Fund** receives status quo funding for FY 16. ISU and UI receive \$1,050,000, UNI receives \$900,000

<b>Other Funds</b>	<b>Estimated FY 2015</b>	<b>SF 499</b>	<b>House</b>	<b>House vs. FY 15</b>	<b>House vs Senate</b>
Apprenticeship Training Program	2,750,000	3,000,000	3,000,000	0	0
Job Training	3,000,000	3,000,000	3,000,000	0	0
<b>Total Workforce Development Fund</b>	<b>5,750,000</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>0</b>	<b>0</b>

Created in 1995, the Workforce Development Fund provides funding for jobs training and retraining and apprenticeship programs to meet the states workforce needs. The Workforce Development Fund is administered by the Economic Development Authority and receives funding from a withholding diversion from the New Jobs Credit in chapter 260E. Withholding of 25% paid by a business under 260E are diverted to the Workforce Development Fund.

Under SF 499, the Senate is proposing an additional \$250,000 for Apprenticeship Training Program and status quo for the Job Training program.

## **NEW LANGUAGE**

**NOTE:** All Senate Language below is struck in the House Amendment

Iowa Employment Rides : SF 499 inserts language from SF 234 which passed the Senate 26-23 before dying in the House. The amendment calls for the setup of an Iowa Employment Rides Initiative administered by the Department of Transportation to provide funds to public transit systems for programs and services that provide employment transportation to Iowans.

Employment transportation is an urban or rural program that provides transportation to or from a workplace. Grants are to be awarded on a competitive basis and cannot exceed \$150,000. The public transit system must provide at least a dollar for dollar match of grant funds.

Administrative Law Judge Merit Legislation: The Senate Economic Development budget contains language from SF 459, which passed the Senate 26-24 before dying in the house. The language assures that employment of Administrative Law Judges appointed or employed by PERB or IWD for unemployment compensation cases are merit employees. Also states that the administrator of the administrative hearings division of the Department of inspections and appeals and the chief deputy workers compensation commissioner and deputy workers compensation commissioner are merit employees.

Reinvestment District Flood Mitigation Language: Inserts language that was struck from HF 654 in House Ways and Means and passed Senate unanimously. The language allows a sanitary or combined water and sanitary district to be eligible for the Flood Mitigation Program.

Under the language the area used to determine the sales tax increment for flood mitigation projects cannot include any areas that are within a reinvestment district. The legislation also changes the order of revenue transfers when reinvestment districts and flood mitigation districts overlap, stating that when such an overlap occurs, reinvestment districts receive revenues first.

Additionally, reinvestment district boards will be allowed to amend their plans after 2018.

Nuisance Properties and Derelict Buildings: Inserts language that was struck from HF 654 in House Ways and Means and passed Senate unanimously. The language makes changes to help communities better deal with derelict and nuisance properties. To help deal with these buildings, IEDA proposes a new revolving loan fund and changes to the judicial process in chapter 657A designed to allow cities to better deal with the problem.

IEDA proposes establishing a nuisance property remediation assistance fund to help cities acquire and demolish nuisance structures. The Authority will initially fund the program with repayments and recaptures from the High Quality Jobs program. IEDA estimates that they will initially move from \$2 to \$5 million dollars into the fund upon its formation. Additionally, as cities repay loans the interest and repayments will allow the program to become self-sustaining.

The nuisance property remediation assistance fund may issue grants, loans, and forgivable loans to cities to purchase nuisance properties and abandoned properties. The authority plans to issue loans from the fund using a competitive scoring process and may give priority to severe blighted areas, widespread dilapidated housing or high rates or low or moderate income residents. The authority will use no more than 5% of the money in the fund for administrative costs.

Brownfield Tax Credit Changes: There are projects that have legitimate reasons to extend their project timelines. The change allows the Brownfield Redevelopment Advisory and IEDA board to decide on each individual extension.

Franchise Changes: Inserts language relating to franchise agreements. The Code does not allow a franchisor to require a franchisee to purchase goods, supplies, inventories, or services exclusively from the franchisor or from a source of supply specifically designated by the franchisor where the goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. The Code does, however, allow a franchisor to publish a list of approved supplies of goods, supplies, inventories, or services or require that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor. The bill adds that such specifications and standards must be customary and reasonable. The Code currently provides that this limitation on the sources of goods and services in franchise agreements does not apply to principal goods, supplies, inventories, or services manufactured by the franchisor. The bill adds an exception to the limitation for motor oil that is labeled in accordance with the requirements of the American petroleum institute.