

FINAL REPORT

**RURAL ECONOMIC DEVELOPMENT
STUDY COMMITTEE**

**Presented to the Legislative Council
and the Iowa General Assembly
January 1991**

Prepared by the Legislative Service Bureau

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CHARGE AND MEMBERSHIP

The Rural Economic Development Study Committee was established by the Legislative Council to "conduct hearings to assess present economic development programs, and recommend structures to encourage economic growth and development in the most economically distressed areas of Iowa, especially rural and small-town Iowa, including funding mechanisms, intergovernmental cooperation, and technical assistance."

Members serving on the Study Committee were:

Senator Leonard Boswell, Co-chairperson
Representative Robert Dvorsky, Co-chairperson
Senator Al Miller
Senator Paul Pate
Senator John Peterson
Senator Berl Priebe
Senator Wilmer Rensink
Senator James Riordan
Senator Ray Taylor
Representative Robert Arnould
Representative Brad Banks
Representative William Brand
Representative Teresa Garman
Representative Josephine Gruhn
Representative William Harbor
Representative Charles Poncy

COMMITTEE PROCEEDINGS

The Study Committee was granted three meeting days which included the days on which public hearings were held. The first meeting/public hearing was held on August 27, 1990, in Guthrie Center, Iowa. The second and third public hearings

were held in Webster City on September 17, 1990, and in Washington, Iowa, on October 8, 1990.

August 27, 1990

The first and only meeting of the Study Committee was held on Monday, August 27, 1990, at the St. Mary's Parish Hall in Guthrie Center, Iowa. Mr. Richard Timmerman, Director of the Iowa Department of Economic Development (IDED), and Dr. Kathy Beery, the Rural Economic Development Coordinator of the Iowa Department of Economic Development, presented testimony concerning existing state programs, IDED's function as a facilitator in the economic development process, and future needs for rural economic development.

In addition, Mr. Allan Collet, from the Iowa Area Development Group (IADG), appeared to offer testimony regarding IADG's experience with rural economic development. Mr. Collet discussed existing barriers to rural development and stated that the greatest need he foresees is that more money must be funneled into improving public infrastructure.

LISTING OF PUBLIC HEARING TESTIMONY

Guthrie Center -- August 27, 1990

The following persons presented testimony on August 27th:

Dr. Ralph Schramm, Guthrie Center Chamber of Commerce

Mr. Joe Rivera, Southwestern Community College, Adair County Hospital

Mr. Tim Ostroski, Iowa Association of Regional Councils, Southern Iowa Council of Governments

Mr. Ken Pederson, Region XII Housing Authority

Ms. Jane Seaton, Adams County Economic Development

Mr. Ken Robinson

Mr. Mike Coyne, Greene County Development Corporation

Ms. Lenore Fiedler

Mr. Ron Padavich, Institute for Decision-Making, Professional Developers of Iowa

Mr. Ed Freidman, Physician's Assistant, Redfield

Mr. Frank Carr, Manning General Hospital

Ms. Cathy Comito, Mercy Hospital, Des Moines

Ms. Jill Brosnahan, Perry Strategic Planning Council

Webster City - September 17, 1990

The following persons presented testimony on September 17th:

Ms. Becky Lane, Iowa League of Resource, Conservation, and Development

Mr. Dennis Hilger, Southern Iowa Resource, Conservation, and Development

Mr. Jerry Smith, Job Training Partnership

Ms. Kay Hagen, Professional Developers of Iowa

Mr. Lyman Schwarck, Hardin County Community Development Council
Mr. Steve Hoesel, Midas Council Of Governments
Mr. Clyde Vedane, Dows Welcome Center
Mr. Dale Guge, Quality Management and Training Consultant
Ms. Mary Schissel, Area Community Commonwealth
Mr. Mike Farley, Sheldon

Washington - October 8, 1990

The following persons presented testimony on October 8th:

Mr. Steve Peterson, Nora Springs
Mr. Richard Berrier, Benton County Development Group
Ms. Eleanor Kaiser, Rosebarr Tire Shredding Company, Vinton
Mr. Mitch Zytrowski, Fort Madison Economic Development Corporation
Ms. Mari Horras, William Penn College
Mr. Brian Ziegler, Small Business Development Center, Ottumwa
Mr. Steve Ovel, Kirkwood Economic Development Services
Mr. Richard Pankey, Kirkwood Economic Development Services
Ms. Mary Proctor, Kirkwood Economic Development Services
Ms. Liz Christiansen, East Central Iowa Council of Governments
Mr. Loren Shultz, Economic Development Director, Maquoketa
Mr. Kent Sovern, League of Iowa Municipalities
Mr. Tom Vilsack, Mayor, Mount Pleasant
Ms. Rebecca Reynolds-Knight, Mayor, Bonaparte
Mr. Mark Pierson
Mr. Wilfred Vittetoe
Mr. Keith Hora
Mr. Bob Greene, Columbus Junction
Ms. Lou Greene, Columbus Junction
Mr. Bill Baum, East Central Intergovernmental Association, Dubuque
Ms. Cathy Lloyd, Heartland Bicycle Tours
Mr. John Kramer, Greater Dubuque Development Corporation
Ms. Ladean Bowen, Institute of Decision Making, University of Northern Iowa
Ms. Ellen Young, Traer
Ms. Sharon Thomas, Insecto

The following persons provided written statements which were distributed to the Committee:

Mr. Roger McMahon, Peoples Natural Gas
Mr. Charles Schafer, Agri Drain Corp.
Mr. W.J. Burke, Allamakee County Tourism and Economic Development Commission
Mr. Michael Jones, Jackson County Economic Development Commission
Mr. Tom Quinn, Iowa State Extension Service

A summary of the recommendations offered by the speakers has been compiled and is attached to this report. Minutes from the public hearings and written statements from the speakers are on file with the Legislative Service Bureau and are available upon request.

COMMITTEE RECOMMENDATIONS

The Study Committee did not make any formal recommendations. However, it was directed by Co-chairpersons Senator Boswell and Representative Dvorsky that the final report emphasize the following recommendations:

EIGHT POINT PLAN FOR ECONOMIC DEVELOPMENT:

1. The Community Economic Betterment Account (CEBA) should be revised to focus more attention on rural areas of the state. Reforms to the CEBA program to meet this end may include targeting grants to counties that are rural in nature. In addition, qualifications for these grants would be limited to primary industrial clients, as defined in the Iowa industrial new jobs training agreements, and would only be authorized if these agreements are in place with the community colleges. Also, it would be based on a stratified scale which reflects wages in comparison to the county average.
2. Consideration should be given to appropriating moneys should be appropriated for the construction of speculative buildings. A large percentage of industrial prospects seeking to locate in Iowa need existing buildings.
3. Transportation funding for urban and rural areas should be equalized. The State Department of Transportation should designate a certain percentage of moneys that have been set aside for industrial corridor highways to be spent in each of the six regions for rural areas. There should also be a deemphasis on traffic counts as a major criteria of road funding.
4. Trade shows and prospect trips should be implemented for local leaders in rural areas. Funding should be provided and specific trade shows and trips should be arranged exclusively for rural communities.
5. A rural worker housing fund, which would be linked to industrial recruitment, should be established to deal specifically with worker relocation. The format should be a low interest loan program available to workers of new "qualified" industries which are locating in rural areas.
6. A venture capital pool should be established specifically for rural areas.

7. Increase funding for the enhancement of the RC2000 program.
8. Ensure an adequate supply of rural housing within a price range that can meet the needs of the rural areas.

OTHER RECOMMENDATIONS:

To address health care needs in the rural setting, physician's assistants and registered nurse practitioners should be given limited prescribing privileges.

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RECOMMENDATIONS FROM SPEAKERS AND WRITTEN TESTIMONY

SIX POINT PLAN FOR RURAL DEVELOPMENT

1. Revise the Community Economic Betterment Account (CEBA) to focus more attention on the rural areas of the state. Reforms of the CEBA program to meet this end may include limiting grants to counties with populations of less than 25,000, limiting grant amounts to primary industrial clients as defined in Iowa Code chapter 280B.1, and basing grant amounts on a scale that reflects wages and their comparison to the county average.
2. Establish a financial assistance program to help rural economic development organizations build speculative buildings.
3. Equalize the expenditure of transportation funding between heavily populated areas and rural areas. This can be done by designating certain percentages of industrial corridor highway funding to be spent in its six regions and by deemphasising traffic count as the major criterion for funding.
4. Establish a fund for rural areas to participate in state trade trips and trade shows with some shows designated specifically for rural areas.
5. Establish a rural housing fund which would be linked to industrial recruitment to specifically deal with worker relocation. The format for the program would be a low-interest loan program, available to workers of new "qualified" industries which are locating in rural areas.
6. Consider a rural venture capital pool to meet the needs of rural Iowa.

AGRICULTURE

1. Allow individuals and corporations which are not actively engaged in farming to be members and stockholders of family farm corporations involved in livestock feeding.
2. Provide state grants of up to \$250,000 to counties that issue revenue bonds to establish small livestock feeding co-ops. These co-ops must design production plants that will not pollute or use additives that will taint the meat product.

CHILD CARE

1. Consider linking preschool programs with the school systems.
2. Establish child care programs for latchkey children which would use school buildings as the operational base.

ECONOMIC DEVELOPMENT EXISTING PROGRAMS

1. Continue the Main Street program and extend it to three years.
2. Increase funding for the Promise program to allow for new enrollees.
3. Provide additional funding for Welcome Center operating costs.
4. Establish a collaborative center for rural leadership development. This center could merge the Iowa Leadership Development Institute and the Tomorrow's Leaders Today program and would require a \$250,000 annual investment.
5. a. Provide funding from the Rural Enterprise Fund for operational expenses of cluster organizations by requiring a local matching amount.
b. Increase funding for the Rural Enterprise Fund by \$200,000.
6. Allow Regional Coordinating Councils enough flexibility and authority to accomplish locally established goals and to establish their own source of funding.
7. Increase funding for the Institute of Decision-Making.
8. Recognize and use community colleges in economic development programs, especially as regional service delivery systems.
9. Keep incubator programs and funding intact.
10. Break REAP fund categories down for smaller cities.
11. a. Modify CEBA into a low-interest loan program.
b. Change funding criteria for CEBA so that proposals which create the largest number of jobs are not automatically favored.
c. Do not change the CEBA program.

12. Increase funding for RC 2000 program.
13. Revise the criteria for the chapter 280B (H.F. 623) job training program to be similar to the RISE and CEBA programs.
14. Do not remove existing economic development programs.

FURTHER RECOMMENDATIONS

1. Reduce costs of public projects by including hold harmless provisions in contracts to limit contractor liability thus removing the need to overcompensate for potential risks.
2. a. Develop resource criteria to assure fair and beneficial resource allocation.
b. Require that funds given for rural development be based on a certified program.
3. Develop a sub-state allocation of funds through the operation of a revolving loan fund with each county receiving the funds for one year. At the end of the year, the funds would be reallocated based upon need and loan activity.
4. Establish a committee to review financial aid applications to ensure nonduplication of funds, activity worthiness, the effect on regional development, and conflict resolution. New state initiatives should complement and build upon existing programs and delivery systems and should be flexible enough to complement those regions with strong programs and service delivery systems and yet provide for those with weak ones.
5. Study overlapping services offered by the Iowa Department of Economic Development and other governmental and private agencies.
6. Establish resource conservation and development areas throughout the state which would be initially funded by the state with the anticipation of rolling the funding over to the federal government within three to four years.
7. Provide the necessary expertise to local officials to implement E911 telephone service and SARA emergency response plans in rural areas.
8. Provide technical assistance and personnel to help local officials access state and federal economic development programs.
9. Establish an Iowa Crafts Commission.

10. Develop a comprehensive state rural economic development policy. Create a rural development office of truly statewide coverage.
11. Encourage Iowa entrepreneurs and value-added products through incentives. Set up a Rural Development Risk Capital Fund that would loan or grant money to individuals to start new businesses.
12. Establish a risk capital pool to assist banks in making investments in new small town businesses.
13. Seek out and replicate model rural development programs throughout the state and the United States.
14. Grant clusters of local governments the authority to raise revenue.
15. Create a microenterprise loan fund to be incorporated into the Rural Enterprise Fund or to be a separate grant. This program could be modeled after similar programs in Bangladesh, North Carolina, and Chicago.
16. Provide an outside source of funds as an operating base for small rural counties.
17. Allow issuance of revenue bonds for economic development purposes.

ENERGY AND ENVIRONMENT

1. Continue funding for waste reduction programs and provide tax incentives or other funding for establishing recycling markets.
2. Provide funding assistance to cities for environmental cleanup of sites so that they can be used for new development.
3. Provide research funds for studying the feasibility of producing methane gas products from livestock manure and packing plant sludge with the remaining effluent applied to cropland.

HEALTH CARE

1. Decrease health care costs and alleviate the shortage of health care professionals by expanding classrooms and training facilities for physical and occupational therapists and registered nurses.

2. To address health care shortages in rural areas, allow physician's assistants to work jointly with doctors, give them limited prescribing privileges, and ensure that their work is covered by insurance.
3. Review procedures for making grants and loans available to rural hospitals and treat rural hospitals the same as any other business.

HOUSING

1. Ensure an adequate supply of rural housing within a price range that can meet the needs of rural areas.
2. Include housing as a major component in the initiation of rural economic development policies and programs.
3. Renovate substandard housing units.
4. Provide that government housing be available to all on a sliding scale where the rent amount is based on income.
5. Make grant moneys available to counties that issue revenue bonds for housing projects.

INFRASTRUCTURE

1. Direct funding to development of public infrastructure in rural areas.
2. Conduct a comprehensive inventory of existing infrastructure on a statewide basis.

RECREATION

1. Assist local governments in creating adequate recreational activities for all ages.

TAXATION

1. Place limitations on the monetary size of nonprofit health care entities which can qualify for property tax exemption.
2. Do not change tax increment financing.



3. Grant clusters of local governments the authority to raise revenue.
4. Establish a program similar to Illinois' Enterprise Zones to assist central business districts through tax incentives. The Illinois program allows deductions for dividends received from companies conducting nearly all business in the enterprise zone, allows for tax exemption for sales and use tax on building and materials used in the enterprise zone, and gives tax credits for jobs created within the enterprise zone.
5. Require residents with income from investments in intangible property to pay property taxes on that income at the local level to pay for city, school, and county services. This would be similar to the state of Kentucky's intangible property tax.

TOURISM

1. Provide counties with seed money to assist small tourism businesses without using jobs created as a deciding factor or guideline.
2. Recognize and emphasize the importance of tourism to rural Iowa.

TRANSPORTATION

1. Improve roadways in rural Iowa by increasing maintenance dollars, by encouraging cooperation between local communities and the state and by connecting the commercial/industrial network, the principle arterial system, the primary road system, and the primary extension roadways.

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