

Economic Development and the Iowa HF 623 Industrial New Jobs Act of 1983

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As part of the Des Moines Area Community College (DMACC) History Project, I agreed to provide this written version of the role that the College played in economic development, specifically in the enactment of House File 623 (HF 623).

DMACC has always been a state and national leader in the broad area included under the phrase “economic development.” Through many of its talented staff, the College led many innovative efforts and new initiatives in worker education.

One early example of this leadership is the HF 623 Industrial New Jobs Act of 1983, which was the vision of President Joseph Borgen, to expand community college involvement in economic development. In 1983 there were no employee position titles in Iowa Community Colleges that included the words “economic development;” primarily these activities were called “manpower development” or just “development.”

Although Borgen had the vision for expanding this role, it wasn’t until DMACC Board member, Don Rowen, Borgen and I attended a Monday night Legislative gathering, that his idea blossomed. My involvement was more predestined, rather having worked previously with economic development. I had been in the Iowa House of Representatives for ten years and was retiring at the end of 1982, to return to DMACC as a full time employee in my position as Vice President for Development.

Rowen, Borgen and I were once having a discussion with Iowa House of Representatives Don Avenson and Majority Leader Lowell Norland. They mentioned that they wanted to convey a positive business message from the majority Democratic legislature—a pro-business approach. As a member of the Iowa House I had written and handled a number of complex legislative issues from retirement programs (IPERS, judges, police, state patrol, etc.) to performance auditing and budgets issues.

Norland asked Borgen and Rowen if it would be possible for me to work behind the scenes and help draft some of the “business friendly issues” for the Legislature. This request was just what Borgen wanted to hear, and when Rowen endorsed it, the request was granted. Later, Board Member Eldon Leonard was quick to endorse the concept and also commit time and effort to the project. While we drafted about a dozen proposals, the hallmark of the effort was the proposed New Jobs Training Act (HF 623). Its primary focus was on the role community colleges would play in economic development in Iowa.

In the course of the next meetings the foundation of the “New Jobs” bill started to form. Borgen wanted a bill (program) that allowed community colleges to issue some form of incentive for new key industrial jobs. When the group came up with a bonding concept, Borgen involved the DMACC law firm and that brought Ken Haynie, an outstanding bond and tax expert, into the fold. His law partner, Edward Bittle, had earlier served in the Iowa Legislature and his expertise helped during later meetings. Majority Leader Norland added his friend, Mike Sparks, a successful underwriter and bond specialist to the team. Borgen assigned me to coordinate the effort, edit all copy and draft the education sections of the bill.

It was interesting how the final concept came together. Most of the drafting of the bill was done in the Bittle/Haynie law offices where the blackboards were constantly covered with ideas. On Capitol Hill, we met often with both Avenson and Norland to update them on our progress. At one session, Avenson and Norland gave Sparks, Haynie and me a direct order: "We don't care what you call the funding mechanism but don't call them bonds." At their direction the key concept was called a "certificate." Haynie still laughs at that one bit of history, but in legislation the terms are sometimes important in order to avoid battles or bad press.

Norland was keeping North Iowa Area Community College (NIACC) President David Buettner (located in his house district) apprised of some of the points in the bill. Borgen, Rowen and I often went to the Iowa Community College President's Association and the Iowa Association of Community College Trustees (IACCT) meetings to update them on our progress. Fred Holmes, the IACCT Executive Director, and their lobbyist, was quickly drawn into the loop. Strange as it may seem, many in the community college movement opposed the new economic development thrusts. To ensure DMACC could be trusted, I was asked to keep Kirkwood board member Wayne Newton and Iowa Lakes Community College (ILCC) board member, Jack Tatum, informed of our progress.

In defense of their stances, at that time most of the community college presidents and boards really didn't want untried additional missions that were questionable to them, at best. Borgen's idea to give community college boards the authority to tax for new jobs was revolutionary and scary to many community college people. It was for those reasons that I was to keep additional designated people informed. Dick Blacker, President of ILCC and Lyle Hellyer of Indian Hill Community College (IHCC) were also added as key presidential contacts to soothe the injection of the new concept into the college ranks.

By this time, HF 623 was beginning to take shape. In almost daily regular contact with Representative Norland, progress on the proposal now had Sparks working on certificate (bond) portions, Haynie on the certificate and withholding tax portions, while I had the smallest task of pulling together the education and employment definitions. The definition of an eligible "new job" was tied to a "job in primary industry"—those jobs that create a product. The only exception was the addition of the insurance industry. The insurance industry in Des Moines was extremely powerful and needed to be included in the law. It was rationalized that the actual insurance policies were "products," thus, insurance industry jobs were included.

As might be expected, word got out in the community college and state government circles that something new in economic development for community colleges was in the works and, consequently, we met several times with state economic development personnel. They obviously didn't want to give up decisions and the taxing power to community college boards. We met with the Iowa Director of Revenue, Gerald Bair, on the withholding portion of the bill. Republican allies Representative Verne Schroeder and Senator Dave Readinger were stalwarts in the effort. Doug Gross, Assistant to the Governor, was a primary contact in that office and was supportive of the concept.

The issues involving all the concepts in the bill were getting more numerous and the "antis" were increasing in number.

Majority Leader Lowell Norland and Speaker Don Avenson continually monitored the situation and political climate, and reacted accordingly. Throughout the process they demonstrated why they were the most impressive and talented Democratic leaders this state has ever known. The group believed

that the *Des Moines Register* would be negative about the proposal, so we “scooped” the concept in the *Cedar Rapids Gazette*. Ken Sullivan, a talented reporter, wrote a very accurate summary of the proposal. Strategy on the issue was both critical and vital to insure the bill would get quick movement and passage in the Iowa Legislature.

The bill passed out of the Iowa House of Representatives with a nearly unanimous vote with Representative John Groninga from Mason City managing the bill. The Iowa Senate soon followed suit with Senator Bill Palmer handling the bill on the Senate floor. After passage, Governor Terry Branstad had reservations about the radically new concept and the fact that the Iowa Department of Economic Development was not ready to give us the power included in the bill. Ultimately Branstad signed the bill after encouragement by Doug Gross, Joseph Borgen and Ken Haynie.

Some have questioned how crucial members of the DMAACC staff and board were in the development and passage of the bill. These individuals were identified earlier in this paper and their roles were clearly stated, as were those of Speaker Avenson, Majority Leader Norland, Senators Palmer and Readinger and Representative Groninga.

It is also important to acknowledge one other crucial figure in the longer-term process. In 1986 when Congress was debating the then-new tax laws, U.S. Senator Charles Grassley played a major role in exempting HF 623 from tax provisions of federal law. After Mike Sparks, Ken Haynie and I discussed the law with him in his Washington D.C. office, he pledged support and delivered.

Since its passage the law was formally reviewed by the Iowa Legislature in the late 1980's or early 1990's. I was asked to give an update and summary of the outcomes of the legislation on job creation. One change was made following the review by the Legislature: to include the insurance industry within the scope of “workers who produce a product.”

After HF 623 became law it had an immediate effect on economic activity in each community college district. Each college expanded programming in economic development and expanded its relationship with exciting businesses in the area. Relationships with local economic groups like chambers of commerce and economic authorities were central to this expansion. As a result a number of businesses expanded or were established using the provisions of the law. It also enhanced the reputation of the community college system by showcasing its skills in expanding economic activity.

I am told that currently the property tax provision in the law is not frequently used by community colleges. So, in closing, I want to affirm the importance of this law to current community college leaders. It provides the tools for encouraging investment in new and expanding industry and in workers to create well-paying jobs. The mechanisms for funding are clearly defined and the community college indirect costs are kept low and reasonable.

I am proud of the role that I and others at DMAACC, in the Iowa Community Colleges and in the Iowa Legislature, had in creating this unique and meaningful legislation that has helped expand opportunities for both companies and workers in Iowa.