

Report to the General Assembly
Iowa Values Fund Board
Iowa Values Fund Review Commission

Iowa Values Fund

Expanding and stimulating the state economy

Increasing the wealth of Iowans

Increasing the population of the state

Submitted December 15, 2003

This document addresses the reporting requirements outlined in the Iowa Values Fund legislation sections 79 (4), 83 (3)(b), and 83 (3)(c). In less than six months into the implementation of this legislation, with no new staff in place, we have been able to launch the program with boards and committees organized, rules put in place or proposed, and the first financial awards approved for businesses and the universities. In addition, a unique analysis tool--the Iowa Economic Impact Model--was put into use to assist in evaluating proposed investments, for a "return on investment" perspective. In terms of data reporting, it is too early in the process to have any reliable data to evaluate program success.

This first report covers the approximately first five months of activities of the Iowa Values Fund Board and associated entities of the program-- the Economic Development Marketing Board, the Iowa Values Loan and Credit Guarantee Advisory Board, the Due Diligence Committee and the Iowa Values Review Commission.

At this early date in the program, contracts are still in negotiations with the companies and universities to receive Iowa Values Fund awards. No funds have been transferred to those approved for awards and none of funds have entered the Iowa economy.

The goals of the Iowa Values Fund according to the language in the statute are to "expand and stimulate the Iowa economy, increase the wealth of Iowans, and increase the population of the State".

An 11-member Board appointed by Governor Tom Vilsack and subject to confirmation by the Iowa Senate oversees the Iowa Values Fund. Legislative leaders appointed four non-voting, ex-officio members to the board. The following members were appointed to the Iowa Values Fund (IVF) Board:

Holmes Foster, Clive
Mary Chapman, Des Moines
Kathy Alden, Dougherty
Bonnie Barney, Tiffin
Nancy Dunkel, Dyersville
James Hancock, Davenport
Gerald Kirke, West Des Moines
Craig Lang, Brooklyn
John Lisle, Clarinda
Marcia Nichols, Johnston
Henry Royer, Cedar Rapids
Toby Shine, Milford

Ex-Officio Members:

Senator Bill Dotzler, Waterloo
Senator Mark Ziemann, Postville
Representative Clarence Hoffman, Charter Oak
Representative Janet Petersen, Des Moines

Holmes Foster chaired the board through its inception and approval of final rules and then resigned due to other commitments. James Hancock of Davenport was named by Governor Vilsack to fulfill Foster's term. Subsequently, the Iowa Values Board elected Craig Lang as Chair and Nancy Dunkel as Vice Chair.

Due Diligence Committee

The Due Diligence Committee is elected from the membership of the Iowa Values Board and consists of five members. Current members of the Due Diligence Committee are chairperson Henry Royer, Marion; Vice Chair Nancy Dunkel, Dyersville; Kathy Alden, Sheffield; Gerald Kirke, Des Moines; and Toby Shine, Milford.

After thorough review of projects, the Due Diligence Committee makes recommendations to the Iowa Values Board as to which projects should receive funding. Evaluations consider whether the project contributes to achievement of the goals and performance measures of the program. Recommendations may include conditions for an award and may recommend that an application be rejected.

During its first few months, the Due Diligence Committee has recommended funding proposals for Wells Fargo, Trans Ova Genetics, GCommerce, and Professional Computer Systems Company, as well as for Iowa State University, the University of Iowa and the University of Northern Iowa.

Chronology of Iowa Values Fund Board

July 16, 2003

Orientation meeting of Iowa Values Board

July 30-31, 2003

The Iowa Values Board adopts emergency temporary rules, elects officers and members of the due diligence, administrative rules, applications and forms, and strategic planning committees. Holmes Foster is elected Chair and Craig Lang is elected Vice Chair. The Board approves first application for funds: \$10 million recommended for Wells Fargo Home Mortgage, which is reviewing sites for the investment of \$175 million and the creation of 2,000 jobs.

August 27, 2003

Proposed permanent rules are reviewed and approved by the Iowa Values Board. Public hearings on the rules are scheduled at eight locations throughout the state.

Recommendations that \$1 million be invested in the relocation to Iowa and expansion of GCommerce and that \$9 million be invested in Iowa expansions of Trans Ova Genetics of Sioux Center are approved by the Board.

September 29, 2003

The Board reviews the allocation of federal money that is expected to be received into the Iowa Values Fund, the progress of university applications with the Due Diligence Committee, and the comments being received at public hearings on the proposed permanent administrative rules.

October 22, 2003

New Board officers are chosen after Chair Holmes Foster resigns because of other commitments. Craig Lang is elected chair and Nancy Dunkel is elected vice chair. The board welcomes new member Jim Hancock of Davenport, who was appointed by the Governor to fill the vacancy. The Board approves proposed permanent administrative rules as amended after public comments at statewide hearings. The board approves the following recommendations: \$5.7 million in FY04 and \$4.3 million in FY05 to the University of Iowa for the Biotechnology Incubation Center and Center for Biocatalysis Upgrade; Iowa State University for The Biologics Facility and Incubator; and University of Northern Iowa for the Innovation Accelerator.

November 12, 2003

A recommendation to invest \$329,000 in Denison software developer Professional Computer Systems, which is bringing out a new generation of financial and customer management software for utility companies, receives Board approval. Responding to requests from the public hearings, \$4 million is reserved for projects of the Community Economic Betterment Account (CEBA) and \$3 million for projects of the Value Added Agriculture Processing Financial Assistance Program (VAAPFAP).

Rules in place

The Iowa Values Board adopted final rules on October 22, 2003, which became effective on that date. The rules establish application requirements, evaluation criteria and procedures by which the Iowa Values Board will process requests for financial assistance from the Iowa Values Fund, including the University and College Financial Assistance.

The Board's Administrative Rules Committee actively sought input about the proposed rules, particularly on the issue of the wage levels and how best to implement the statutory goals of increasing the wealth of Iowans, expanding and stimulating the economy, and increasing the population of Iowa.

The Board held eight public hearings, with a total of approximately 157 attendees, during September and October. The hearings were held in Mount Pleasant, Davenport, Cedar Falls, Spencer, Atlantic, Mason City and Des Moines (two hearings).

The following common themes emerged from the written and oral comments during the hearings:

Wages. The following proposals for wage thresholds were suggested:

- 1) 130% of the average county or regional wage with a 12 month "ramp up" period to allow a company to meet the wage rate.
- 2) 130% of the average county wage or \$13.55, whichever is higher.
- 3) 120% of the regional wage, using the five regions identified in the Iowa Values Fund legislation.

Benefits. Several persons expressed the opinion that employers receiving IVF financial assistance should be required to pay insurance benefits to

their employees. The two proposals that were presented specified that recipients should:

- (1) pay 80% of a standard medical and dental plan (This is similar to the statutory requirement for participation in the New Jobs and Income Program).
- (2) pay benefits, but use more flexible language in the rules to allow a wider array of fringe benefits to be considered. Some people liked the definition that Iowa Department of Economic Development has in pending rules for the New Capital Investment Program (NCIP).

Good corporate citizens. At most of the hearings, people expressed the view that Iowa Values Fund financial assistance should only go to companies that were in compliance with environmental and worker safety statutes. Specifically, companies should be required to disclose any environmental and worker safety law violations for the past five years and report on corrective actions taken.

Repayment "claw back" provisions. There was a strong sense that companies that do not perform as pledged should be required to repay Iowa Values Fund financial assistance. In addition to having contract terms to require repayment, Board members received comments to the effect that the rules should make a clear statement that such companies will be required to agree to "claw back" provisions as a condition of receiving funds.

Industry clusters. There's support for targeting Iowa Values Fund dollars in the industry cluster areas of life sciences, advanced manufacturing and information solutions as long as other businesses are not excluded from eligibility.

Small businesses, entrepreneurial start-up businesses. Several members of the public attending the hearings asked Board members to consider having different eligibility requirements for start-up businesses. The opinion was that these businesses may not create a lot of jobs, but they do create wealth and could create business opportunities in fields, industries and markets not already in existence in the state.

Allocation for smaller programs. There was support for an Iowa Values Fund allocation of \$11 million to provide funding for continuing operations of existing financial assistance programs of the IDED--the Community Economic Betterment Account (CEBA) and Value-Added Agricultural Processes Financial Assistance Program (VAAPFAP). At the Atlantic public hearing there was a suggestion that Targeted Small

Business Financial Assistance Program (TSBFAP) also be included in the \$11 million allocation.

Following a review of all the comments, IDED staff recommendations and discussion among Committee members, the Administrative Rules Committee prepared final rules for adoption by the Iowa Values Board. The board adopted final rules after reviewing the recommendations of the Committee and made changes in response to the comment process.

The final rules retain the allocation provision for CEBA and VAAPFAP as well as authorize the Board to allocate funds for the Entrepreneurial Ventures Assistance Program, the Targeted Small Business Financial Assistance Program and other IDED programs, if it chooses.

The board is allowed to allocate a portion of Iowa Values Fund for start-up projects. A "start-up" business is one that has been in business for less than three years and one that has an identifiable market, a viable product for market and a commitment to remain in Iowa. Start-up businesses are exempt from the wage level and job count requirements of these rules.

All Iowa Values Fund contracts for financial assistance must include reimbursement provisions if the business does not fulfill the obligations stated in the contract. Repayment provisions are to be negotiated on a project-by-project basis. The date by which a contract must be signed was lengthened from 60 days to 120 days from the award date.

New language was put in the permanent rules on wage requirements for Iowa Values Fund assistance. Award amounts are based a sliding scale approach. The higher the average wage, the higher the allowable per job award amount. Percentages are based on average county or regional wage rates using the calculations described. Fifty percent or more of the jobs must start at 110 percent of the average county or regional wage. Award terms and amounts are based on factors such as percentage of loan versus forgivable loan, industry cluster, potential for agglomeration, job quality and benefits.

Applicants are required to describe any violations of law in the preceding five years, including environmental and work safety statutes, rules and regulations. For any violations, applicants shall provide an explanation of any mitigating circumstances and corrective action taken to achieve compliance.

The Board decided to implement the final rules immediately on filing date of October 22, 2003 instead of observing the normal implementation date of 35 days period after publication. It was beneficial to the public to have final rules in place prior to the expiration of the emergency rules on October 28, 2003. This avoided having a period of time when no rules would be in effect and the Board would be unable to take action on applications.

The emergency implementation of the final amendments ensured the existence of program rules to allow the Board to respond to investment opportunities as quickly as possible and provide a level playing field for financial assistance applicants. The final rules are different from the emergency rules. The immediate implementation of the final rules allowed the program to be administered based on changes originating from public comments reflecting the public's views about program requirements.

2003 Business Development Awards from the Iowa Values Fund

During 2003, the Iowa Values Fund Board approved the following projects. Contractual agreements with the companies involved are in process.

Wells Fargo
West Des Moines, Des Moines
Expansion
Create 2,000 jobs
Average wage, \$33,500
Iowa Values Fund Award: \$10,000,000

Trans Ova Genetics
Sioux Center, other Iowa locations
Multi-phase expansions
Create 315 jobs
Average wage \$45,444
Iowa Values Fund Award: \$9,000,000

GCommerce
Des Moines
Relocation
Create 157 jobs
Average wage, \$56,274
Iowa Values Fund Award: \$1,000,000

Professional Computer Systems (PCS) Company
Denison
Expansion-retention
Information Solutions
Create 27 jobs, retain 20
Average wage, \$44,570
Iowa Values Fund Award: \$329,000

Iowa Economic Impact Model

A new computer software tool known as the Iowa Economic Impact Model is being used to analyze the Return on Investment for public dollars going into business expansions seeking funds from the Iowa Values Fund. Estimates from the model provide another dimension to the financial reviews of the Due Diligence Committee and the Iowa Values Fund Board as they consider requests for funds.

Developed by an advisory group of economists for the Iowa Department of Economic Development, the model was unveiled at the October 22nd meeting of the Iowa Values

Board. The model estimates that Wells Fargo, Trans Ova Genetics, GCommerce and PCS would increase the personal income of Iowans by \$1.4 billion over a 10-year period. The impact on net tax revenue after subtracting out the public investment is estimated to be a \$67 million increase in tax flows from the projects.

Members of the advisory group that developed the model are Harvey Siegelman, retired state economist; Peter Fisher and Alan Peters from the University of Iowa; Dan Otto and David Plazak from Iowa State University; Michael Lipsman, Iowa Dept. of Revenue; and Randy Pilkington, the University of Northern Iowa.

To arrive at the public return on investment, data is collected from companies and fed into the model. The data consists of the number of workers to be hired each year by wage brackets for at least three years; the cost of new construction, including purchases of furniture, fixtures and equipment; the SIC and NAICS codes for the business activity; anticipated state and local taxes attributed to the project for at least three years; and the amount and type of public assistance going into the project.

From calculations using this information, the model produces the expected growth in personal income, both with and without economic multiplier effects; the ratio of personal income growth to the state and local government investment in the project; the ratio of gross and net tax receipts to state and local governments; and the number of new jobs created and the average wages per job.

Normal procedures are to use a 10-year horizon for costs and impacts. The 10-year stream of data is collapsed to a present value using a discount rate equal to the average for the 10-year Treasury Bill (5.76%). The model includes industry-specific 2003 Iowa Type II SAM multipliers in order to estimate the indirect and induced effect of the projected income growth. The direct effect-only data is also included.

A Great Beginning

The launch of the Iowa Values Fund came on July 17 during a joint workshop of the Iowa Values Fund board members and the IDED board. This informal opportunity set the stage for the board's beginning and future collaborations with the IDED Board.

Wells Fargo

At the first formal meeting on July 31st, the Iowa Values Fund Board approved the \$10 million investment in the expansion plans of Wells Fargo Home and Consumer Finance Group. To seize developing opportunities, the Iowa Values Board put temporary rules in place and acted on the Wells Fargo application. In doing so, Iowa won competition for the project from other states including Arizona, Minnesota, California and South Carolina.

The total incentive package- including a variety of state and local programs with the Iowa Values Fund being a critical component- triggered the largest single job creation project in the history of Iowa's economic development efforts. After success in negotiations with

the Iowa Values Fund, IDED and local communities, Wells Fargo announced that would create 2,000 jobs with expansions in West Des Moines and Des Moines.

The 2,000 new jobs will pay an average annual salary of approximately \$33,500 and significantly expand Wells Fargo payrolls in the Des Moines area where the company already has 3,300 existing employees.

Early in 2004, Wells Fargo Home Mortgage plans a groundbreaking on a new 170-acre campus in West Des Moines where it will invest \$250 million in the construction of two impressive new buildings. The company plans to consolidate 2,300 existing jobs and create 1,000 new jobs in West Des Moines.

The 900,000 square feet of new office space, located on property at a location south of George Mills Civic Parkway between the future South 68th and South 74th, will be completed the following year, 2005.

Wells Fargo Financial announced it is adding to its presence in downtown Des Moines with construction of a \$38 million building on the north side of Walnut Street between Eighth and Ninth streets. The nine-story building with 360,00 square feet of offices is part of plans to add 1,000 employees downtown.

"We are very gratified by the confidence the state has in our company and how much the state appreciates the contribution Wells Fargo's presence makes to Iowa, both now and in the future," said Pete Wissinger, President and CEO of Wells Fargo Home Mortgage. "Wells Fargo already has deep roots in Iowa. It is a great place for our team members to live and offers the company a high quality workforce. I want to thank all those involved in this process for their participation. I appreciate the interest, courtesy, cooperation and support extended to us."

The Home and Consumer Finance Group includes four businesses: Wells Fargo Financial, headquartered in Des Moines; Wells Fargo Home Mortgage, headquartered in West Des Moines; Wells Fargo Consumer Credit Group, which is headquartered in San Francisco but has 900 team members in Des Moines currently; and Wells Fargo Corporate Trust, which has major offices in Minneapolis, MN and Columbia, MD.

Economic Impact of Wells Fargo

Wells Fargo, according to the Iowa Economic Impact Model, will increase the personal incomes of Iowans by an estimated \$1.1 billion in the first 10 years. The net increase in new taxes from Wells Fargo projects is estimated to be \$52 million after subtracting out the public investment.

Trans Ova Genetics

On August 27th— The Iowa Values Board approved a \$9 million award — which was part of an assistance package that included other state and local funding -- to assure the continuing expansion in Iowa of life sciences innnovator Trans Ova Genetics. Known

throughout the world for embryo transfers and for cloning rare species and transgenic animals, Trans Ova is pursuing a multi-phase growth plan with multiple projects that would create 315 jobs at average annual salaries of more than \$45,000 per year.

Trans Ova is developing herds of dairy cows that are capable of producing pharmaceutical substances in their milk. Additional facilities are needed to collect and purify the substances, which can be produced more cheaply in animals than in factories. Some of the substances could be used to counter bioterrorism.

Working with various local, national, and international partners, Trans Ova plans to lead investment of \$37.7 million in new Iowa facilities in the next several years. The projects include a human serum albumin production center, a bioterrorism prevention center, a bio-protein production center, an animal cloning laboratory, animal technology center, a biobusiness incubator, a Ph.D. research center, and a private college research and leadership center.

Dr. Jan Schuiteman, Trans Ova's chief executive officer, said the Sioux Center firm seeks to use the financial support from the Iowa Values Fund to spark the growth of biotechnology clusters.

"If we can capture the research, development and commercialization of successful bioproteins, we have an opportunity to create biotech clusters that will generate revenues and exciting opportunities for Iowa," Schuiteman said. "No one can, with pinpoint accuracy, predict which proteins will be ultimately successful in the marketplace, but it's certain that we will miss out on that success unless we have the necessary resources at critical times."

Schuiteman noted that "the core of what Trans Ova intends to do is what we have a history of doing, what we like doing, and what we're good at doing: creating new, profitable businesses based on our animal biotechnology platform."

"Our goal is for Trans Ova to establish new, Iowa-based companies for the production of pharmaceutical proteins and antibodies. This tentative proposal would allow us to capitalize on our current lead position in animal biotechnology and start us on the path to become the animal biotechnology capital of the world. That's good news for Iowa because other states are aggressively recruiting our potential partners and us to build their biotechnology capacity."

Dr. David Faber, Trans Ova's President, pointed out that opportunities in animal biotechnology lie in the convergence of three powerful forces: the emphasis in adding value and features to differentiate raw agricultural commodities; the increased pace, complexity, and potential impact of new reproductive tools from sexing semen and cloning to transgenics and gene markers; and a growing recognition of the cow as an efficient and versatile bio-protein producer.

"Embryo transfer is the key ingredient needed to economically and rapidly replicate desirable genetics," Faber said. "Trans Ova Genetics has a significant strategic advantage in the sophistication of our tools and distribution system to get these technologies to the market."

Schuiteman added that the company's opportunities in the area of value-added agriculture "are to help shape and provide the bovine genetics for coming decades."

Estimated impact of Trans Ova Genetics

Applying the Iowa Economic Impact model to growth projections of Trans Ova Genetics of Sioux Center, it's estimated that personal incomes for Iowans would increase by \$232 million over a 10-year period. The net value of new taxes after subtracting out public investment in the projects is estimated at \$8.4 million.

GCommerce

At its August 27th meeting, the Iowa Values Fund Board approved a \$1 million investment -- which was part of an assistance package that included other state and local funding -- to recruit the headquarters of a New York software development firm and the expansion of information solution operations in Iowa.

Because of the award, GCommerce subsequently announced that it will locate in a building just blocks from the Iowa statehouse in the East Village commercial area.

GCommerce develops cost-effective products that allow manufacturers and other businesses to share information, track sales, and collaborate in real-time on the Internet, although they may be using different computer systems.

The company was considering relocation of its corporate headquarters from Valley Cottage, New York to Iowa, New Jersey, Chicago or Las Vegas. Growth plans for the company would create 157 jobs over the next four years with at an average annual pay level of \$56,274.

Company founders Steven Smith and Louis Angerame said, "GCommerce selected Iowa for the quality of its work force, central location to key customers and overall quality of life benefits for its employees. Our customers include Dee Zee manufacturing in nearby Ankeny as well as True Value Hardware, Kohler and Transamerican Automotive."

Smith and a board member, Charles Gottdiener, an executive with D&B, are both Grinnell College graduates. The company--which has investors that include Stanford University, Acuity ventures as well as other prominent business executives-- will move into about 10,000 square feet of office space at 601 E. Locust.

The \$9.2 million project includes job training funds from Des Moines Area Community College and a \$250,000 investment from the city of Des Moines.

GCommerce software links and integrates everyone in a supply chain--suppliers, manufacturers, distributors, retailers and customers--on the Internet to share information from all kinds of new and old computer systems.

"We applaud the Iowa Values Fund board for strategically targeting a growth industry that will help expand opportunity in the state," said Teresa Wahlert, President and CEO of the Greater Des Moines Partnership, the economic development organization serving Central Iowa. "This project will significantly broaden the base of job opportunities available here, and will compliment our existing industries and the skill sets of our workforce."

Estimated Impact of GCommerce

The Iowa Economic Impact model estimates that the growth of GCommerce would increase personal incomes of Iowans by over \$100 million in the first 10 years. It's estimated that the net value of new tax revenue in the first ten years will be nearly \$7 million after subtracting the cost of the public investments.

Professional Computer Systems (PCS) Company

The fourth award from the Iowa Values Fund since the Board began its duties is to a software development company that provides management systems to municipal utilities and rural electric cooperatives across the nation.

The Iowa Values Fund Board approved an investment for PCS of \$329,000 at its November 12th meeting. PCS of Denison is an existing company expanding in information solutions.

PCS plans to create 27 jobs and retain 20 jobs at an average annual salary of \$44,570.

Craig Lang, Chair of the Iowa Values Fund Board, said, "This investment maintains PCS' headquarters in Iowa, provides technology jobs in a smaller Iowa community and improves the competitiveness of an Iowa software company that has grown and competed successfully."

Lang said, "PCS draws more than 80 percent of its revenues from out of state. It has an established customer base of 60 clients for financial accounting, billing and customer management software."

Chief Financial Officer Jim Christensen said, "PCS is proud of being a major employer of high-tech specialists in a small community environment. PCS is launching a project to grow market share by delivering the next generation of customer information and accounting solutions based on Microsoft technology and operating systems."

Half of the award is structured as a seven-year loan at 2 percent interest. The other half is a 10-year forgivable loan at 6 percent interest that would not have to be repaid if the company completes its hiring and expansion as planned.

Privately owned by Kim and Dana Ingersley, PCS has grown to 34 employees in the more than 20 years since it was founded in 1982.

Estimated Impact of PCS

The Iowa Economic Impact model estimates that the growth of PCS would increase personal incomes of Iowans by over \$18 million in the first 10 years.

University Research and Development

At its October 22nd meeting, the Iowa Values Board took action to direct funds to projects at the University of Iowa, Iowa State University and the University of Northern Iowa that will launch new technology companies. Although funds are not fully available yet, the Iowa Values fund directs \$25 million be invested in research and development at the Regent's institutions to support technology transfer and commercialization.

As the funds become available over the first two years of the Iowa Values Fund, the Board has approved approximately \$4 million each for The University of Iowa and Iowa State University and approximately \$2 million for the University of Northern Iowa. In succeeding years, the remaining \$15 million from the allocation will be disbursed to the Regents institutions.

Iowa State University would receive a total of \$10 million to construct a biologics facility and incubator where extracting new proteins from plants could be tested and new companies launched at the Research Park. The biologics facility would support up to three companies at one time. Expanded incubator space could launch up to 15 companies over the next five years. The new infrastructure is expected to help attract additional research funds to the universities.

The \$10 million awarded to the University of Iowa would build a Biotechnology Incubation Center with four laboratory suites for new biotechnology companies as well as other support facilities. The funds also contribute to upgrading the Center for Biocatalysis and Bioprocessing at the University of Iowa to Food and Drug Administration standards so the center may prepare pharmaceutical ingredients for clinical testing. The biocatalysis center is recognized worldwide for expertise in fermentation protein processing and purification.

The University of Northern Iowa was awarded \$5 million for an Innovation Accelerator with offices and support services to accommodate 15 to 20 companies involved in tech transfer and other entrepreneurial businesses.

Iowa Values Economic Development Marketing Board (EDMB) At its organizational meeting on July 14th, the Iowa Values Economic Development Marketing Board elected Mary O'Keefe as Chair and Teri Goodmann of Dubuque as Vice Chair. Other members of the committee are David Bernstein, Sioux City; Mary Chapman, Des Moines; Chris Harshbarger, Cedar Falls; Craig Lang, Brooklyn; and Gary Wells, Le Mars. The Governor appoints members of the committee subject to Senate confirmation.

During 2003, the Economic Development Marketing Board (EDMB) has implemented an approval process, accepted proposals, reviewed and evaluated proposals, and selected finalists for marketing strategies. The EDMB will submit a recommendation regarding the marketing strategy to the Iowa Values Board in 2004.

A Request for Proposals was issued in September to select an agency to assist with the development and implementation of a two-year marketing plan. The deadline was October 22nd. Board members received, reviewed and narrowed the 13 proposals received to five finalists who presented at the Dec. 1st meeting. The EDMB is awaiting further information before making a recommendation on an agency or agencies to the IDED Board, the entity that must approve the contracts. The Iowa Values Board must then approve the marketing strategy.

In selecting a marketing strategy for recommendation, the EDMB will base the selection on the goals and performance measures of the statute. The agency will assist with the development of a two-year marketing plan. The strategy will be administered by for the Iowa Department of Economic Development as stated by law.

Loan and Credit Guarantee Advisory Board

The Loan and Credit Guarantee Advisory Board provides the Iowa Department of Economic Development with technical advice, including rule recommendations, for the administration of the Loan and Credit Guarantee Program. The Board also reviews and provides recommendations to IDED regarding all applications under the Loan and Credit Guarantee Program. The purpose of the program is to increase the flow of private capital to targeted industry and other qualified businesses by providing loan and credit guarantees to financial institutions. The program is intended to promote modernization and adoption of technology by industry, encourage creation and retention of jobs, and expand exports and services of Iowa businesses in national and international markets.

Governor Tom Vilsack appointed the following members to the Loan and Credit Guarantee Advisory Board, subject to Senate confirmation: Robin Anderson, Jane Bell, Jose Laracuente, Ty Logan, Donna Sorensen, John Stavnes and Gary Streit.

At its initial meeting on Sept. 3, 2003, the Loan and Credit Guarantee Advisory Board elected John Stavnes as Chair and Gary Streit as Vice Chair.

At subsequent meetings, proposed rules were drafted, reviewed and discussed with input from representatives of the Small Business Administration, the Iowa Bankers Association, the Iowa Independent Bankers and U.S. Department of Agriculture Rural Development.

The proposed rules were submitted to the IDED Board at its November 20th meeting and approved. A public hearing on the proposed rules is scheduled for January 16th at the IDED offices and the rules have been posted for public comment.

With the rules review process in motion, the program is expected to become operational in April of 2004.

The proposed rules define qualified businesses as those with not more than 200 employees. Business primarily engaged in retail sales, real estate or the provision of healthcare or other professional services are excluded. Qualified businesses include professional services businesses that provide services to targeted industry business if that is where they get most of their revenue. Target industry businesses are existing or proposed businesses operated for profit and doing business in the life sciences, software and information technology, advanced manufacturing, value-added agriculture or other industries designated by Loan and Credit Guarantee Advisory Board.

The proposed rules would limit guarantees to \$1 million per business at each financial institution. Up to \$10 million in guarantees could go to a single business with 10 participating financial institutions. Both limits are based on wording in the statute.

Iowa Values Review Commission

The duties of the Iowa Values Review Commission are to analyze annual reports of the Iowa Values Board to determine if the goals and performance measures set out in the statute are being met. The members of the Review Commission are State Auditor David Vaudt; Harvey Siegelman, who is President of Strategic Economics Group and was appointed by the Governor; and one member to be appointed by the Legislative Council.

Goals and Measures

Section 79 (4)

The Iowa Department of Economic Development is actively working with the companies and other entities that receive the awards to develop ongoing data flows on the progress of the economic stimulation provided by Iowa Values Funds. Sources for baseline statistics for 2002 and subsequent years are being determined to provide the measures that the IDED, the Iowa Values Fund Board, the Iowa Values Fund Review Commission, the Governor and General Assembly require as these investments stimulate economic activity in the state of Iowa.

Below is a listing of the legislation's goals, the measures IDED will use to track the date and the progress to date on the required measurements.

1. Goal: Increase Iowa Gross State Product (GSP) at a faster rate.
Measure: % growth rate in GSP for Iowa and U.S. Gross Domestic Product (GDP).
Target: Iowa's % growth rate in GSP will exceed the % growth rate of U.S. GDP.
Progress: Baseline 2002 data not yet available for Iowa GSP.
2. Goal: Expanding and stimulating the state economy.
Measures: Among recipients of Iowa Values Fund awards, increases in the following, by State total and for each of the five sub-state regions:
 - A business's supplier network
 - Business start-ups

- Business expansion
- Business modernization
- Attracting new businesses to the state
- Business retention
- Job creation and retention

Targets: Unspecified; progress is to be analyzed from numbers produced.

Progress: Four business projects had received Iowa Values Fund awards as of December 15:

Iowa Values Fund projects	State	Central	North-west	North-East	South-east	South-west
Business's supplier network	No data					
Business startups	0					
Business expansions*	3	1	1			1
Business modernization	No data					
New business to state	1	1				
Business retention*	1					1
job creation & retention	2,472	2,157	235			47

* One project involved both retention and expansion.

Sub-Goal A: Increase private business employment as a proportion of the Iowa workforce.

Measure: Ratios of government employment in Iowa, and the Upper Midwest region, as a % of total employment.

Target: Iowa's ratio of government employment will be at or below the ratio for the Upper Midwest region.

Progress: Baseline 2002 data not yet available.

Sub-Goal B: Determine the difference in job creation among businesses that receive GIVF awards versus job creation among non-recipients, and past job creation rates.

Measures:

- Average annual job creation and retention rates for 1993-2002 for Iowa and the Upper Midwest region. (10-year baseline)
- Job creation and retention rates of those businesses receiving funds from the Iowa Values Fund (for State Fiscal Years 2004, 2005, and 2006)
- Job creation and retention rates of those businesses not receiving funds from the Iowa Values Fund (for State Fiscal Years 2004, 2005, and 2006)

Targets: Unspecified; figures for businesses receiving/not receiving Iowa Values Fund awards are to be compared with 10-year baseline figures.

Progress: Baseline 2002 data not yet available

3. Goal: Increasing the wealth of Iowans
Measures, for Iowa, its five sub-state regions, the Upper Midwest, and the U.S.:
 - Per capita personal income
 - Average earnings per job
 - Average manufacturing earnings
 - Average service earnings
 - Average earnings per employee in the financial, insurance, and real estate industries
Targets: In all categories above, the Iowa averages will exceed the averages for the Upper Midwest region.
Progress: Baseline 2002 data not yet available
4. Goal: Increasing the population of the state
Measures:
 - The number of Iowa high school graduates who completed a higher education degree and are now employed in Iowa.
 - The number of higher education graduates in Iowa.
Targets: Unspecified; annual measures are to be compared with 2002 baseline.
Progress: Baseline 2002 data not yet available

Section 83 (3)(b) and Section 83 (3)(c)

IDED is required in Section 83 (3)(b) to submit a report to the Review Commission identifying information that has been gained through interviews with businesses that close all or a portion of operations in the state. Performance measure information includes 1) net increase in business expansion 2) net increase in business modernization and 3) net increase in business retention.

In addition Section 83 (3)(c) mandates that a report be submitted to the Review Commission that identifies prospective lost business development opportunities information pertinent to the following performance measures 1) net increase in business start-ups, 2) net increase in attracting new business to the state.

These reporting requirements mandate that new mechanisms for data collection be implemented. Because of the high-demand on existing staff time (no new staff was allotted to administer the Iowa Values Fund) to get the four new boards and new Iowa Values Fund program up and running, a protocol to conduct the interviews needed to collect this data has not yet been implemented. It is anticipated that at the next reporting cycle IDEED would outline the plans to interview for and/or otherwise obtain the requested information.

Section 83 (3)(b)

Section 83 (3)(b) of HF 692 requires that IDEED submit a report to the General Assembly providing suggested amendments to the Code of Iowa and the Iowa administrative code designed to stimulate and expand the state's economy. The Iowa Values Fund program has only been in operation since July 1 of this year, and so it is premature to judge how it is working and what changes need to be made. Therefore IDEED does not wish to suggest amendments to the Code nor changes to the administrative code at this time.

Coordination and Strategic Planning

Over the first few months of the Iowa Values Fund, it has become clear that coordinating the efforts of IDED's boards and programs, as well the boards created by the Iowa Values Fund will be essential. To this end, these boards have been meeting to put together one, cohesive strategic plan that will drive economic development in Iowa.

Complete ongoing information about the Iowa Values Fund and associated groups, including rules, meeting schedules, agendas, minutes, and news releases is available on the Internet at: <http://www.iowasmartidea.com/ivfboards.html>

Total Project/Lead Summary Report

12/16/03	Investment in Millions	Potential New Jobs	Potential Retained Jobs
Domestic Projects/Leads	3,144	14,235	7,747
International Projects/Leads	317	1,905	22
Totals	3,461	16,140	7,769

Projects By Industry	Cluster	Start-Ups	Totals
Domestic Projects			
Advanced Mfg.	35	3	38
Life Science	29	7	36
Information Solutions	23	3	26
Other	63	2	65
subtotal	150	15	165
International Projects			
Advanced Mfg.	44	0	44
Life Science	13	2	15
Information Solutions	2	0	2
Other	13	1	14
subtotal	72	3	75
Total Projects/Leads+Start-Ups	222	18	240

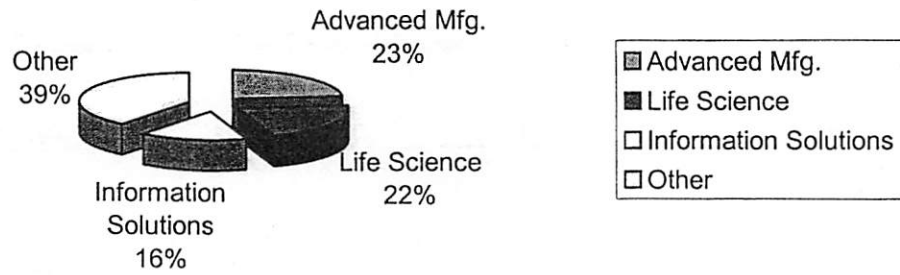
Existing Industry	
Domestic	94
International	24

New Projects/Leads	
Domestic	72
International	50

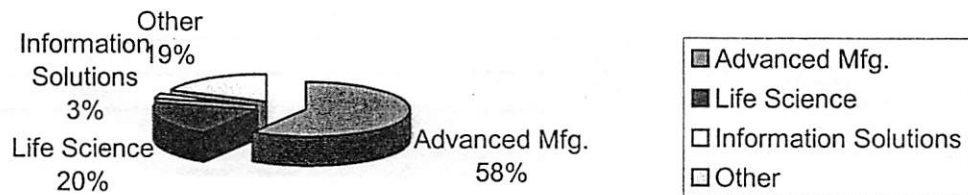
Total Projects/Leads	240
-----------------------------	------------

Average project time (months)	5.59
Domestic projects	5.37
International projects	6.13

Domestic Projects/Leads

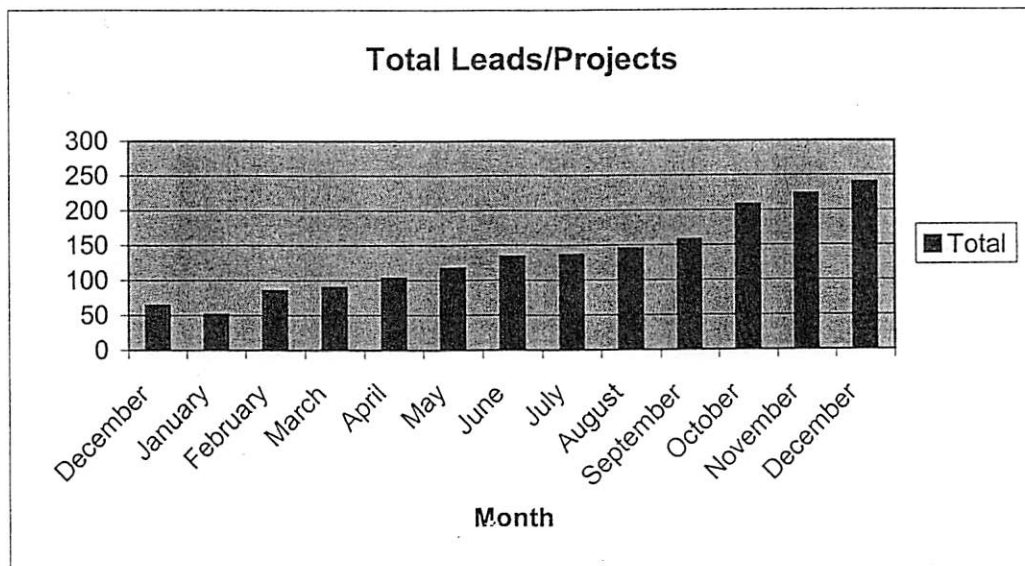


International Projects/Leads



From December 2002-November 2003

Month	Total
December	64
January	51
February	85
March	90
April	103
May	117
June	134
July	136
August	145
September	158
October	208
November	223
December	240



As of December 17th, 2003