

## FEDERAL UPDATE

### **Fed Signals Patience in Raising Interest Rates**

The Federal Reserve Governors Board met January 27-28 and indicated it is in no hurry to raise interest rates. The Fed's prior forecast charted an upward movement of rates beginning in June 2015 until the long-term goal of 3.75 percent is reached at the end of 2017. Notes from the January meeting indicate an intent to keep rates near zero for a longer period of time. Factors likely impacting that decision are a strengthening U.S. dollar, slow wage growth, and low inflation driven largely by recent oil prices. The Fed last increased interest rates in 2006.

### **FCC Changes Definition of "Broadband"**

The Federal Communications Commission (FCC) raised required speeds to be considered "broadband." Under the standard set in 2010, speeds of 4 Mbps for downloads and 1 Mbps for uploads were termed broadband. The new definition requires 25 Mbps for downloads and 3 Mbps for uploads. Based on the new definition, the FCC's 2015 Broadband Progress Report found 17 percent of Americans lack access to broadband with a large urban/rural divide.

### **President Proposes \$3.99 Trillion Budget**

President Barack Obama sent his proposed federal budget to Congress earlier this month that totals \$3.99 trillion for fiscal year 2016. The President's plan includes spending \$478 billion over six years for major infrastructure including roads, bridges, and other transit systems, which is financed by a one-time 14 percent tax on overseas profits of U.S. companies. Another \$561 billion, or an increase of \$38 billion over current levels, is devoted to defense spending. The budget proposes ending automatic across-the-board cuts referred to as sequestration and includes new tax credits for initiatives tied to education, child care, paid leave, and infrastructure investments. The projected deficit under Obama's budget is \$474 billion, which is the lowest since he took office. However, total national debt would climb from \$18.1 trillion today to over \$26 trillion by 2025 under his proposed budget.

### **IRS Releases New CREBs**

The Internal Revenue Service (IRS) announced nearly \$281 million in available bonds under the New Clean Renewable Energy Bonds (CREBs) program for renewable energy projects. CREBs are available on a first-come, first-served basis with applications being accepted beginning March 5, 2015. Rural electric cooperatives are eligible to receive allocations for the following types of projects: solar photovoltaics, wind, geothermal, closed-loop biomass, open-loop biomass (wood waste, farm byproducts and landfill gas), capacity additions for existing small hydro, municipal solid waste combustion, small irrigation, and hydrokinetic.

## STATE UPDATE

### **Business Property Tax Credit Deadline Approaching**

Owners of commercial, industrial, and railroad properties in Iowa have until 4:30 p.m. on March 15 to apply for the 2014 business property tax credit. Property owners with an existing business property tax credit that have not changed ownership, use, purpose, or legal description of their property are not required to reapply. Applications are available at a local city or county assessor's office. Residential or agricultural properties are not eligible.

### **Branstad Announces Key Appointments**

Governor Terry Branstad has made three key administration appointments in the past month. The Governor appointed Beth Townsend the director of Iowa Workforce Development (IWD), Roxann Ryan as Iowa Public Safety Commissioner, and Joe Cortese as Workers' Compensation Commissioner. Townsend has served as acting director of IWD since Teresa Wahlert retired from the position last month and served as director of the Iowa Civil Rights Commission prior to that. Ryan has been with the Iowa Department of Public Safety since 2006 and served as acting commissioner for the past month replacing Larry Noble. Cortese leaves his private law practice to head the State's Workers' Compensation Division. All three appointments are subject to confirmation by the Iowa Senate.

### **Governor Signs Bill Aligning State and Federal Tax Treatment**

The first bill approved by the Iowa Legislature and signed by Governor Branstad aligns certain parts of the state's tax code with the federal code. Iowa taxpayers can now claim up to \$500,000 in Section 179 expense on their 2014 state returns, up from a prior limit of \$25,000. While the legislation conforms the state to many of the federal tax provisions, it did not adopt federal "bonus depreciation" rules that allow a deduction for 50 percent of the cost of otherwise depreciated new assets in the year they are placed in service.

### **IWD Awarded Unemployment Insurance Grant**

The U.S. Department of Labor awarded Iowa Workforce Development (IWD) a \$1.04 million grant to expand the State's Voluntary Shared Work (VSW) program. The program is designed as an alternative to layoffs for Iowa businesses experiencing a decline in regular business activity. Under VSW, work reductions are shared by reducing employees' work hours, and Unemployment Insurance partially replaces lost earnings. The grant will be used to create a web portal for employers to electronically submit applications for the VSW program and monitor its status.

### **88 Counties Adopt Master Matrix for Animal Confinements**

State law provides an option for counties to use a state master matrix for evaluating the construction permit applications submitted to the Iowa Department of Natural Resources (DNR) for animal confinement facilities. This year, 88 counties voted to adopt use of the master matrix. Animal producers in these counties must meet higher standards by scoring points on the master matrix based on the location and operations of the proposed facility. County officials that adopt the matrix are allowed more input in the permitting process on site selection, proposed structures, and facility management. The following Iowa counties opted not to use the matrix this year: Decatur, Des Moines, Iowa, Keokuk, Lee, Mahaska, Osceola, Plymouth, Wapello, Warren and Washington.

### **MidAmerican Energy Wind Project Tied to EAC Credits**

The Iowa Utilities Board (IUB) recently affirmed an earlier decision to require MidAmerican Energy to pay its electric customers \$2 million annually in energy adjustment clause (EAC) credits as a condition of approving the company's latest proposed wind farm. The IUB order directs MidAmerican to provide the \$2 million in annual EAC benefits once 50 megawatts of the proposed "Wind IX" project is operational and until the next rate case proceeding is decided by the board. MidAmerican has proposed adding an additional 162 megawatts of wind energy capacity with this project. They have 30 days from the date of the order to accept the rate-making principles.

### **Iowa Companies Claim Research Tax Credit**

A recent report from the Iowa Department of Revenue shows 248 companies claimed \$51 million under the State's research activities tax credit program in 2014. Roughly 68 percent of credit claims, representing 181 companies, were paid out as checks as opposed to tax reductions because tax credits exceeded state tax liability for those companies. A total of 16 companies claimed 75 percent of the credits with each having over \$500,000 in credits. The top five companies included Rockwell Collins, Deere & Co., DuPont, John Deere Construction, and Monsanto.

### Fuel Tax Increase Dominates Legislature’s Attention

A bipartisan proposal to increase Iowa’s fuel tax is gaining support in the Legislature and similar bills have passed out of the House and Senate Transportation Committees. The bill includes a 10-cent increase in the state fuel tax, which currently stands at 21 cents for gasoline, 19 cents for ethanol blends, and 22.5 cents for diesel. Biodiesel is given an exemption that would phase in a higher tax as the fuel’s share of the diesel market increases. Leaders in the Republican-controlled House and Democrat-controlled Senate have voiced support for the bipartisan legislation, and Governor Branstad has signaled his support for this approach for funding transportation infrastructure repairs.

### Upcoming Activities in 2015

ABI Day on the Hill – March 10  
 CIPCO Member Service Meeting – March 12  
 REC Day on the Hill – March 16  
 CIPCO Board Meeting – March 24  
 NRECA 2015 Directors Conference – March 28-31  
 IAEC Managers’ Spring Conference – March 31-April 1

Des Moines  
 Cedar Rapids  
 Des Moines  
 Des Moines  
 Reno, NV  
 West Des Moines

### CONSUMER PRICE INDEX

% Change	Aug	Sep	Oct	Nov	Dec	12-Mo Avg
<b>CPI</b>	-0.2	0.1	0.0	-0.3	-0.4	0.8

Source: Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov)

Note: January 2015 CPI data to be released February 26

### MARKET TRENDS

% Change	Y-T-D	1-Yr Avg	5-Yr Avg	10-Yr Avg
<b>DJIA</b>	+1.78	+12.44	+14.88	+6.82
<b>NASDAQ</b>	+4.64	+16.13	+24.17	+14.07
<b>S&amp;P 500</b>	+2.50	+14.70	+18.05	+7.56

Source: [bigcharts.com](http://bigcharts.com), [treasury.gov](http://treasury.gov), 2/20/15