

MARCH 2015

# PUBLIC POLICY REPORT

## FEDERAL UPDATE

### USDA Rural Development Awards Announced

The U.S. Department of Agriculture (USDA) announced the award of \$31 million in loans and grants this week to promote rural economic development in 12 states. Following is a list of projects approved for Iowa:

- Central Iowa Power Cooperative: \$2 million to help ELPLAST America build in the Marion Industrial Park
- Corn Belt Power Cooperative: \$300,000 to construct a speculative building in Iowa Falls
- Corn Belt Power Cooperative: \$300,000 to help a regional health center renovate the radiology department
- Franklin Rural Electric Power Cooperative: \$300,000 to help acquire a dental practice in Hampton
- Grundy County REC: \$2 million to help build a licensed, assisted-living facility near Conrad
- Heartland Power Cooperative: \$1 million to help a manufacturing business buy machinery and equipment
- Midland Power Cooperative: \$319,880 to construct a speculative building in Iowa Falls
- Raccoon Valley Electric Cooperative: \$300,000 to help renovate a hospital and nursing home in Carroll
- T.I.P. Rural Electric Cooperative: \$300,000 to help renovate the Grinnell Regional Medical Center

Funding is awarded from USDA's Rural Economic Development Loan and Grant (REDLG) program, which provides zero-interest loans and grants to utilities to lend to local businesses for projects in rural areas.

### Net Neutrality Rules Set by FCC

The Federal Communications Commission (FCC) approved rules at the end of February on a 3-2 vote to more strictly regulate the Internet. The "net neutrality" rules are designed to grant equal opportunity for Internet speeds and access to websites by effectively banning broadband Internet service providers from deliberately slowing, blocking, or favoring certain websites. The FCC's new rules are not yet effective, and two lawsuits have already been filed.

### Record Exports in 26 States in 2014

According to the U.S. Department of Commerce, 26 states saw record exports in 2014. Iowa was among those states with \$15.1 billion in exports last year, which was the 18<sup>th</sup> highest. States with the most exports included Texas (\$289 billion), California (\$174.1 billion), and Washington (\$90.6 billion). Exports nationwide totaled \$2.4 trillion, which was also a record for the fifth consecutive year.

### New RUS Administrator Named

Brandon McBride has been named as the new Administrator of USDA's Rural Utilities Service (RUS). McBride has served as a Senior Professional Staff on the Senate Committee on Agriculture, Nutrition and Forestry since 2009. Prior to that, he served as a Legislative Assistant for Senator Blanche Lincoln from 2003 to 2009.

### DOE Water Heater Rule to Take Effect

The U.S. Department of Energy rule regulating electric water heaters is set to take effect April 16, 2015. The rule requires electric water heaters larger than 55 gallons to use heat pump technology to reach 200 percent efficiency. The rule will effectively stop the manufacture of large electric water heaters but does not prohibit the installation of non-compliant products manufactured before the effective date. Bipartisan attempts in Congress to block the DOE rule from taking effect have so far failed to be enacted.

## STATE UPDATE

### Governor Makes New IUB Appointments



Governor Terry Branstad announced the appointment of individuals to fill numerous state positions earlier this month including changes at the Iowa Utilities Board (IUB). Geri Huser (pictured at left), a former state legislator and current Iowa Finance Authority employee, has been appointed IUB chairwoman effective May 1. Huser replaces current board member Sheila Tipton and will assume the duties of chairwoman from Libby Jacobs, who will continue to serve as a board member. Nick Wagner will remain as the third IUB member in addition to Huser and Jacobs.

### State Revenue Estimate Adjusted

The three-member state Revenue Estimating Conference (REC) met last week to review economic data and adjust state revenue estimates for fiscal years 2015 and 2016. The REC adjusted projected revenue for the current fiscal year down by \$89.7 million primarily due to a law recently enacted that conforms Iowa to the federal tax code in a number of areas, which will have the effect of collecting less state tax revenue. For the same reason, the REC dropped their fiscal year 2016 estimate of tax revenue by \$19.2 million below previous projections. REC members indicated cautious optimism over growing wages and retail sales in Iowa leading to growth in tax revenue. They expect the State to collect \$7.175 billion next fiscal year, which is roughly 6 percent more than the current year.

### Regents Institutions Announce Plans for New Boilers

The Iowa Board of Regents has given approval to the University of Iowa to begin planning a new \$75 million power plant to serve its main campus. The plan includes replacing two failing natural gas boilers with a single more efficient natural gas boiler with co-generation capability to produce electricity and steam. Construction of the West Campus Energy Plant is estimated to take two years, and current plans are to have it operational within four years. Additionally, Iowa State University is moving forward with plans to install three 80-ton natural gas boilers in place of coal-burners at a cost of \$42 million. The project will leave just two coal-burning boilers left on campus and is designed to cut the power plant's coal use by one-third. The new boilers are expected to be operational in supplying steam, electricity, and cooling water for campus by the end of the year.

### Des Moines Water Works Files Clean Water Act Lawsuit

On March 16, Des Moines Water Works filed a lawsuit in federal district court against three rural counties and their drainage districts based on nitrate levels in the Raccoon River. The lawsuit was brought against the Boards of Supervisors in Sac, Buena Vista, and Calhoun counties, for discharge of nitrate pollutants and failure to obtain proper permits under the Clean Water Act. The lawsuit seeks to declare the named drainage districts are point sources pollutants, are not exempt from regulation, and are required to have a permit under federal and Iowa law. Water Works contends that high nitrate levels have forced the utility to operate a costly nitrate removal system to treat water from the Raccoon River to meet federal drinking water standards.

### Iowa Banks See Lending Growth in 2014

According to the Federal Deposit Insurance Corporation (FDIC), banks in Iowa saw growth in loan demand in 2014 and overall positive performance. Net income for Iowa banks grew by four percent over the prior year to \$848.8 million, and total assets reached \$75.9 billion in 2014. Loan volume increased 8.3 percent from 2013 to \$49.5 billion with return on assets of 1.15 percent. Demand for loans increased in the real estate, farm, commercial, and consumer sectors in Iowa. Nationally, bank lending increased five percent in 2014 over the previous year.

### State Unemployment Rate Drops

Iowa's seasonally adjusted unemployment rate dropped in February to 4.1 percent, which was driven by gains in manufacturing, health care, and education hiring according to Iowa Workforce Development. Iowa's unemployment rate was 4.2 percent in January and 4.4 percent one year ago. The U.S. rate stood at 5.5 percent in February.

### Upcoming Activities in 2015

Pella Cooperative Electric Annual Meeting – April 7  
CIPCO Board Meeting – April 28

Pella  
Des Moines

### CONSUMER PRICE INDEX

% Change	Oct	Nov	Dec	Jan	Feb	12-Mo Avg
<b>CPI</b>	0.1	-0.3	-0.3	-0.7	0.2	0.0

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

### MARKET TRENDS

% Change	Y-T-D	1-Yr Avg	5-Yr Avg	10-Yr Avg
<b>DJIA</b>	-0.62	+8.91	+12.65	+6.89
<b>NASDAQ</b>	+3.28	+17.83	+20.84	+14.55
<b>S&amp;P 500</b>	+0.10	+11.46	+15.33	+7.55

Source: [bigcharts.com](http://bigcharts.com), [treasury.gov](http://treasury.gov), 3/27/15