

FEDERAL UPDATE

(New) Change in U.S. Cuba Relations

President Obama has ordered the restoration of full diplomatic relations with Cuba and the opening of an embassy in Havana for the first time in more than a half-century. For Iowa, according to the Greater Des Moines Partnership, ending the embargo would result in Cuba emerging as an important market for our food and agricultural products. Reasonable estimates suggest that Iowa would gain more than \$70 million worth of food and agricultural exports to Cuba, and the U.S. may find a market worth as much as \$1 billion annually. But more than increased exports, Iowa stands to create links between agribusinesses, tourism, government leaders and the Cuban people.

Congress Reaches Spending Deal to Avoid Shutdown

Congress passed and President Obama signed into law a \$1.1 trillion spending bill. The spending measure will fund most of the government for a full fiscal year (September 2015). Legislation ties together 11 spending bills and Homeland Security funding through February. In addition, the measure would provide nearly \$1.014 trillion in base funding, \$521 billion for defense, \$492 billion for non-defense spending, hewing to a bipartisan budget deal. Lawmakers also agreed to tap emergency funds to provide \$5.5 billion to respond to the Ebola outbreak, and \$64 billion for the Defense Department to combat the threat posed by Islamic State militants, as well as disaster aid.

Economy Records Strongest Job Growth in Years

The Labor Department issued its strongest jobs report in nearly three years, signaling that employers are hiring again. Employment rose by an estimated 321,000 in November, a figure about 100,000 above average monthly job gains so far this year, far exceeding economists' expectations. Perhaps even more significant was the biggest gain in average hourly earnings since June 2013. Hourly earnings rose by 0.4 percent in November, double what economists had been expecting. If private-sector job growth accelerates, it's likely that the accompanying increased revenue for governments could eventually translate into more hiring.

Oil Prices Plunge

Oil continued its plunge this week, suggesting that drivers enjoying low gas prices may see even more relief at the pump ahead. The price of a barrel of West Texas Intermediate fell below \$55 for the first time in five years, while the price of the more global Brent crude fell below \$60, also for the first time in five years. The price of both types of oil are now down more than \$50 a barrel since hitting a 2014 peak in June. The average gasoline price nationwide has now fallen more than \$1 since its own peak of \$3.70 a gallon in late April. AAA now reports that the national average stands at \$2.53 for a gallon of regular.

The Affordable Care Act (Obamacare)

Several lawsuits have been filed accusing President Obama of overstepping his executive authority when implementing the Affordable Care Act. Meanwhile, the U.S. Supreme Court said it would review the legality of a centerpiece of the ACA, deciding whether consumers can receive subsidies for insurance purchased through federal exchanges operating in more than 30 states.

STATE UPDATE

State Budget Preview: State leaders are warning of a tough upcoming state budgeting cycle, noting the state faces multiyear commitments for:

- Property tax relief costing \$142 million next fiscal year
- Education spending needs totaling \$124.7 million
- Increased Medicaid costs and federal funding shifts that have caused human services funding requests to spike by \$202 million.
- The state also faces a Medicaid shortfall in the current year pegged at about \$60 million
- About \$40 million in increased costs to provide health insurance to state employees in calendar year 2015; and at least \$16 million in salary costs.

Gas tax: There is discussion around bipartisan efforts to provide more money to fix rural roads and bridges. Right now the tax is set at 22-cents a gallon and it hasn't been raised since 1989. On the topic of gas prices statewide, some industry experts predict, in particular agriculture and biofuels, could be hampered by plunging gas prices. However, fuel prices are unlikely to have a dramatic influence on farmers at this time of year with the harvest complete and next year's planting months away.

UPCOMING EVENTS

2015

First Day of Congress	January 6	Washington D.C.
First Day of Iowa Legislative Session	January 12	State Capitol
Condition of the State Address	January 13	State Capitol
IAEC Welcome Back Reception	January 13	State Historical Building
Welcome Back Reception	January 13	Quality Inn and Suites
ABI Legislative Briefing/Reception	January 14	Embassy Suites
Governor's Inauguration	January 16	Des Moines
NRECA Annual Meeting	February 22-25	Orlando, FL
REC Day on the Hill	March 16	State Capitol
Managers' Legislative Breakfast	April 1	State Capitol
NRECA Legislative Conference	May 3-6	Washington D.C.

MARKET TRENDS

% Change	Y-T-D	1-Yr Avg	5-Yr Avg
DJIA	+10.88	+13.31	+14.32
NASDAQ	+14.48	+16.49	+16.24
S&P 500	+14.73	+16.69	+15.62

Source: Morningstar.com

CONSUMER PRICE INDEX

% Change	July	Aug	Sept	Oct	Nov	12-Mo Avg
CPI	0.1	-0.2	.1	.0	-0.3	1.3

Source: Bureau of Labor Statistics, www.bls.gov