

From: "Vestewig, Lauren J."
To: "Willeford, Emily"
Cc: "Kavanaugh, Brett M.", "Ulyot, Theodore W."
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my edits to this one.

IOWA BRIEFING

STATE ISSUES

ECONOMY

Iowa's unemployment rate for May was 4.3 percent, down from 4.5 percent in May 2003. (**Note:** As of June 2004, the national rate was 5.6 percent.) Overall jobs have been returning to the state since June 2003; the state has seen an increase of 13,900 jobs since then.

On July 1, the State Legislative Services Agency released a report for the fiscal year that ended on June 30 showing an end to a three and a half year slide in revenue growth. State revenues began dropping in October 2000 and stayed flat before showing an improvement in January 2004. Gross cash revenues for fiscal year 2004 were up \$211.2 million (4.2 percent) over 2003.

ACT

America Coming Together (ACT) is a group that describes itself as the "largest voter mobilization project in history." ACT has offices in eight Iowa counties, with its main state office located in Des Moines. On June 12, ACT held a National Election Action Day to register people to vote.

ACT is a 527 group, an issue-oriented organization that can accept "soft" money without limitation and can spend it in advocacy as long as its activities are not coordinated with or connected to a candidate.

ACT was recently criticized for employing convicted felons in its voter registration drive. ACT has targeted 17 states, including Iowa.

MEDICARE

About 460,000 Iowans (17 percent) are eligible for Medicare. The Medicare Prescription Drug, Improvement and Modernization Act you signed in December 2003 helps remedy the historically low Medicare reimbursement rates for Iowa health care providers, especially those in rural areas. At least 14 hospitals, most often rural facilities, have closed in Iowa since 1985. Because of the state's low reimbursement ratio, expanded services have not been made available.

As a result of the Medicare overhaul, over the next ten years, Iowa hospitals and health care providers will receive an additional \$438 million dollars from Medicare, and Iowa hospitals will receive an additional \$141 million from Medicaid.

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The new law also gives Medicare recipients the option of purchasing prescription drug coverage, which will reduce the typical beneficiaries' drug costs by about half. Senator Chuck Grassley (R), as Chairman of the Senate Finance Committee, was crucial to the formulation and passage of the landmark legislation. Senator Tom Harkin (D) and Congressman Leonard Boswell (D, IA-03) were the only members of the Iowa congressional delegation to vote against the legislation.

STATE LEGISLATURE

The Iowa State Legislature adjourned on April 20. The session went on longer than expected, due to disagreements over education funding and casino taxes. Debate centered on Governor Vilsack's proposal to raise taxes to generate \$238 million for education and health care funding. Vilsack's plan called for an expansion of the state's sales tax to include 17 additional services and an increase in the cigarette tax by 60 cents per pack. Republicans resisted pressure to increase taxes, insisting education needs can be met without a tax increase.

The Senate version of the budget bill, which passed on March 30, totaled more than \$5 billion and allowed for a \$109 million increase in basic school aid, about \$28 million less than Vilsack's plan. On April 12, the House passed the budget bill, voting overwhelmingly against Vilsack's proposed tax increases.

On April 20, the closing day of the session, the Legislature agreed to a four percent increase per pupil in school funding for the 2005-2006 school year, as requested by Governor Vilsack, but the Legislature only increased per-pupil funding two percent for the 2004-2005 school year. Democrats vowed to campaign this fall on the shortcomings of the two percent increase.

A dispute fought in the Iowa courts over taxing the state's three racetrack casinos and ten riverboats also affected budget negotiations. The Iowa Supreme Court ruled a state law requiring racetrack casinos to pay a much higher state tax rate than riverboat casinos violated the State Constitution and the state owed the racetracks a refund totaling more than \$112 million. On April 14, legislators reached a long-awaited agreement with casino and racetrack interests. As part of the agreement, racetracks would forgive the \$112 million refund with the commitment from Senate leadership that in the future, there would not be more than a two percent disparity in tax rates for racetrack casinos and riverboat casinos.

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The Governor reluctantly signed the majority of the \$5.2 billion spending plan on May 17.

GROW IOWA VALUES FUND

In 2003, the Republican-controlled State Legislature passed House File 692, the Grow Iowa Values Fund. The \$503 million legislation had numerous components: it created the Grow Iowa Values Fund (an economic development fund to support biotechnology and other key industries in the State), reformed Iowa's property tax structure, changed business regulations, and cut income taxes. Vilsack used line-item veto power to approve the Values fund and property-tax reforms while rejecting the income-tax cut and business regulations. Republican leaders in the Legislature appealed his use of the line-item veto to the Iowa Supreme Court.

On June 16, the Iowa Supreme Court unanimously struck down the entire Grow Iowa Values Fund, stating in its ruling that the Governor violated the State Constitution by vetoing only portions of the Values Fund legislation. Both Governor Vilsack and Republican leaders in the Legislature have expressed a strong desire to re-create the program.

On June 25, in a sign of compromise, Governor Vilsack said he is willing to accept a one-time tax cut, as long as it does not have an ongoing impact on the state budget. He also said he was open to the state matching a change in Federal tax laws by allowing businesses a quicker tax write-off for new equipment. Vilsack estimated the proposal would cost the state \$50 million and could come out of the state's ending balance this year, a change from his long-standing opinion that tax cuts must not reduce state revenues.

Republicans believe it is not possible to fix all elements in the bill without a special session, but Vilsack is reluctant to call one. The Legislature could call itself into special session if two-thirds of the House and two-thirds of the Senate agree.

On July 12, Governor Vilsack and Republican legislative leaders traded letters in an attempt to reach a compromise for a special legislative session, but they failed to reach an agreement by the noon deadline set by the Governor.

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DRUG REIMPORTATION

On April 8, Senator Grassley introduced legislation that would immediately legalize the importation of prescription drugs from Canada while a new importation system is developed and implemented by the Food and Drug Administration (FDA). The bill is much broader than legislation previously introduced by Senator Byron Dorgan (D, ND) because it allows for the importation of non-FDA approved drugs. After two years, the bill would allow the importation of prescription drugs from other countries, including Australia, Japan, and other members of the European Union. Drug manufacturers that take any action to limit supply to Canada would lose their tax deduction for advertising expenses. Drug manufacturers that continue to sell drugs to Canada would see a 20 percent increase in their research and development tax credit.

Governor Vilsack supports a proposal that would allow state workers to buy Canadian drugs through local pharmacists. The proposal would not allow direct customer orders from Canadian suppliers.

SAME-SEX MARRIAGE PROPOSAL

On February 25, a State Senate committee narrowly approved a pair of proposals calling for changes to the U.S. and Iowa Constitutions defining marriage as between a man and a woman. Governor Vilsack has said there is no need to change the State Constitution, as Iowa already defines marriage as between a man and a woman. On March 23, the full State Senate struck down the resolution to amend the State Constitution.

UNBORN VICTIMS LEGISLATION

On April 6, the Iowa House voted 63 to 36 to approve a bill providing criminal penalties for the murder of a fetus at any stage of development; similar legislation had been approved in the Senate by a 30 to 19 vote on March 24. On April 7, the Senate approved the legislation and sent the bill to the Governor. Vilsack vetoed the bill on May 14, and the media has speculated his desire to get Senator John Kerry's Vice Presidential nod may have motivated his decision.

STORMS

In May, Iowa was pummeled by a series of devastating thunderstorms and tornadoes. On May 24, Senator Chuck Grassley (R) sent you a letter requesting that you grant Governor Vilsack's request for a declaration of a major disaster for the State of Iowa. Six weeks after the May 25 Presidential disaster declaration for Iowa, almost eleven

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million dollars in grants and low-interest disaster loans was approved for Iowans affected by severe storms, tornadoes, and flooding, according to figures released by FEMA on July 6. Assistance has been made available in 77 counties.

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STATISTICS

2000 General Election Results (Presidential):

	Total Votes	% Won
Gore	638,517	49%
Bush	634,373	48%
Nader	29,374	2%
Others	13,299	1%

1996 General Election Results (Presidential):

	Total Votes	% Won
Clinton	620,258	50%
Dole	492,644	40%
Perot	105,159	9%
Others	16,014	1%

CONGRESSIONAL DELEGATION

U.S. SENATE:

- Chuck Grassley (R), 4th term, re-elected in 1998 with 68%
- Tom Harkin (D), 4th term, re-elected in 2002 with 54%

U.S. HOUSE: 5 Total (4R, 1D)

- Jim Nussle (R-01), 7th term, re-elected with 57%

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- Jim Leach (R-02), 14th term, elected with 52%
- Leonard Boswell (D-03), 4th term, re-elected with 53%
- Tom Latham (R-04), 5th term, re-elected with 55%
- Steve King (R-05), 1st term, elected with 62%

STATE GOVERNMENT

Governor Thomas Vilsack (D), 2nd term, re-elected in 2002 with 53%

Lieutenant Governor Sally J. Pederson (D), 2nd term, elected in 2002 with Governor Vilsack

Attorney General Tom Miller (D), 5th term, re-elected in 2002 with 65%

Auditor Dave Vaudt (R), 1st term, elected in 2002 with 48%

Secretary of State Chet Culver (D), 1st term, elected in 2002 with 50%

Treasurer Mike Fitzgerald (D), 5th term, re-elected in 2002 with 55%

Secretary of Agriculture Patty Judge (D), 1st term, elected in 2002 with 50%

State House: **100 (54R, 46D)**

Speaker: Christopher Rants (R)

Majority Leader: Chuck Gipp (R)

Minority Leader: Pat Murphy (D)

State Senate: **50 (29R, 21D)**

President: Jeff Lamberti (R)

Majority Leader: Stewart Iverson, Jr. (R)

Minority Leader: Mike Gronstal (D)

STATE PARTY

Chairman: State Senator Chuck Larson

Note: Although he remains Chairman, Senator Larson was called to active duty with his Army Reserve unit on November 12 and is serving in Iraq. Gentry Collins now serves as Deputy Chairman. Chairman Larson's father, US Attorney Charles Larson, Sr., of Cedar Rapids, is headed to Iraq to become a senior adviser to the U.S. Ambassador in Baghdad.

National Committeeman: Steve Roberts

National Committeewoman: Phyllis Kelly

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STATE DEMOGRAPHIC PROFILE

Estimated Population 2000:

Iowa: 2,926,324, an increase of 5.4% since 1990
National: 281,421,906, an increase of 13.1% since 1990

Race/Ethnicity:

Iowa: 93.9% White; 2.8% Hispanic; 2.1% African American;
1.3% Asian
National: 69.1% White; 12.5% Hispanic; 12.3% African-
American; 3.6% Asian; 0.9% Native American

Median Age:

Iowa: 36.6 years (14.9% are 65 years and older)
National: 35.3 years (12.4% are 65 years and older)

College Educated:

Iowa: 21.2%
National: 24.4%

Median Income:

Iowa: \$39,469
National: \$41,994

Households:

Iowa: 67.0% family households; 55.1% married couple families
National: 68.1% family households; 51.7% married couple families

(Source: 2000 U.S. Census Bureau)

YOUR PREVIOUS TRAVEL

Bush-Cheney 2004 Welcome	Dubuque	May 7, 2004
Remarks on the Economy	Des Moines	April 15, 2004
Remarks at U.S. Cellular Center	Cedar Rapids	November 4, 2002
Remarks at Sears Manufacturing; Fundraiser for Jim Nussle	Davenport	September 16, 2002
Remarks at the Iowa State Fair; Fundraiser for Doug Gross	Des Moines	August 14, 2002
World Pork Expo	Des Moines	June 7, 2002
Tour and remarks at General Mills; Fundraiser for Greg Ganske	Cedar Rapids	April 15, 2002
Roundtable and Remarks at The Printer, Inc.;	Des Moines	March 1, 2002

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Fundraiser for Tom Latham		
Tour and remarks at John Deere Harvester Works	Moline, Illinois (Davenport, IA)	January 14, 2002
Tax Cut signing celebration	Dallas Center	June 8, 2001
Iowa Energy Center remarks on energy bill	Nevada	May 17, 2001
Roundtable on the budget and lowering debt	Council Bluffs	February 28, 2001

THE VICE-PRESIDENT'S PREVIOUS TRAVEL

Bush-Cheney 2004 Rally	Waterloo	July 16, 2004
Bush-Cheney 2004 Rally	Sioux City	June 25, 2004
Fundraiser for Stan Thompson and Bush-Cheney 2004 Event	Des Moines	March 8, 2004
Reception for Congressman Jim Leach	Cedar Rapids	October 20, 2003
Bush-Cheney 2004 Event	Des Moines	October 3, 2003
Welcome Event	Sioux City	October 31, 2002
Fundraiser for Stan Thompson	Des Moines	July 30, 2002
Fundraiser for Congressman Leach	Cedar Rapids	July 29, 2002

¹ Center for Survey Research and Analysis at the University of Connecticut poll for the Humphrey Institute at the University of Minnesota; June 21-July 12, 2004; 614 registered voters; Margin of error +/- 4.0%