

Why Does Everybody Love Michael Blouin?

Written by Jeff Ignatius

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As Michael Blouin tells it, Iowa Governor Tom Vilsack wanted a fresh start on the issue of economic development heading into his second term. Blouin related that Vilsack told him, “I listened to the wrong people” when trying to formulate ways to jump-start the state’s sagging economy.

Vilsack is trying to take some bold steps to remedy that. In December he accepted the resignation of Iowa Department of Economic Development Director C.J. Niles and appointed Blouin, then president and CEO of the Greater Des Moines Partnership, as a replacement. Last month he announced plans for sweeping tax reforms and an ambitious \$500-million economic-development package called the Iowa Values Fund.

“The [Iowa] economy is broken,” Blouin told the annual meeting of the Bettendorf Chamber of Commerce on February 7. According to the Iowa Legislative Fiscal Bureau, Iowa’s economy grew less than 25 percent from 1977 to 1999, while the economies of other Plains states grew just under 50 percent and the national economy grew slightly less than 75 percent. In addition, Blouin said, “the tax system is broken in a very, very major way,” with an overly complicated income tax and a property-tax structure that pits neighboring communities against each other in the struggle for new tax dollars.

What’s needed, he argued, is a reinvention of the state’s economy, and that necessitates changing the way the Department of Economic Development operates. “We’re not going to do that [change the state economy] by chasing economic-development projects the way we have been for 20 years,” Blouin said. The state traditionally bent over backward for “whatever [company] was interested in Iowa,” regardless of the quality and pay of the jobs. “We know it’s a zero-sum game.”

And Iowa has also suffered because of competition between neighboring communities for businesses. The state has 225 economic-development groups, and they’re all fighting for a limited number of projects. “It’s ridiculous what we’re doing to ourselves,” he said. It’s “a preposterous way to build an economy. We have to come together as neighbors.”

But Vilsack and Blouin are taking a politically risky approach with the Iowa Values Fund.

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Instead of giving the legislature a fully formed plan that it can debate, they've provided a conceptual foundation on which legislators can build.

Blouin understands that the legislature prefers fleshed-out plans, and that sketchy proposals such as this one "create frustration." Yet he said he prefers this process. "I'd be more concerned if it was a finished product that we were asking them to swallow," he said in an interview after his presentation. Allowing the legislature to work out the details gives lawmakers a sense of ownership and makes it more likely that they'll go along with the plan, he claimed

Yet it's a risky proposition for other reasons. "We can't even guarantee this thing's going to work half well," he said.

The Blouin Record

Blouin has been drawing raves from the economic-development community and legislators, both Democrats and Republicans.

"He's a great choice," said Thom Hart, president of the Quad City Development Group. "He's a leader." Hart spent several days with Blouin late last week, as the economic-development director was making the rounds in the Quad Cities.

Blouin has served in both the Iowa House and Senate, and he was elected to two terms in Congress in the late 1970s. He started in the economic-development business in 1987 with the Cedar Rapids Chamber of Commerce, eventually becoming president. In 1999, he moved to Des Moines, where he guided the consolidation of four organizations – the chamber of commerce, a downtown group, a development organization, and a business-attraction initiative – into the Greater Des Moines Partnership.

"I think his connections with both business and with government will serve the state well," said Scott Tunncliff, president and CEO of the Bettendorf Chamber of Commerce. "I've very rarely seen an appointment that's been greeted with this much enthusiasm."

According to Steve Zumbach, the 2003 chairperson of the Greater Des Moines Partnership, the merging of the four groups was identified by Blouin as a condition for taking the Des Moines job in 1999. "This community needed a single voice," he said. Zumbach also called Blouin "a very good consensus-builder."

In addition, Blouin helped shape the Des Moines area's Vision Iowa grant application, Zumbach said. The county originally submitted an application that included only the Iowa Events Center, but after that was rejected, Blouin was instrumental in expanding the downtown project's scope to include a new library, a science center, headquarters for the World Food Prize, and an education center, he said.

Blouin was evaluated each year on measurable goals and "performed very well," Zumbach said. During Blouin's three years, the Partnership's business-attraction program helped bring in 60 local expansions, 27 new companies, \$608 million in capital expenditures, and 4,653 new

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jobs. Those numbers were close to the Partnership's five-year plan, which called for 65 expansions, 30 new businesses, and \$475 million in capital expenditures in its first three years. (The projections did not include figures for new jobs.)

Blouin was also evaluated in terms of accomplishing the Partnership's federal and state legislative agendas, including four state bills dealing with the creation of venture-capital funds and a reduction in premium taxes designed to maintain the state's competitive edge with insurance companies. All of those bills passed, said Kent Sovern, the Partnership's senior vice president of government and international relations.

Blouin said he had planned to eventually retire from the Greater Des Moines Partnership, at which he was making more than \$235,000 plus benefits a year. "Under normal circumstances I would have said 'no'" to Vilsack's offer to run the Iowa Department of Economic Development, he said.

The new director is making \$175,000 a year now, and the pay cut he's taken gives him credibility: He's interested in the challenge and the state's well-being more than the money. "I don't like to waste three or four years, especially at this stage in my life," he said.

The Iowa Values Fund

Vilsack and Blouin have established some ambitious benchmarks for success: 100,000 new, high-quality jobs over the next four years beyond what the economy would naturally produce. (The definition of quality jobs is those requiring at least two years of college. "Change the emphasis to education from wages and the pay scale will follow," Blouin said.)

Vilsack and Blouin have also set a goal of 100 new startup companies in the next four years.

(Those goals are significant because although Vilsack is a lame duck – he's announced he won't run for re-election in 2006 – many political observers think he has presidential aspirations, and a successful economic-development effort would certainly bolster his résumé.)

The goals will be accomplished, Blouin said, by steering the state's economic-development efforts toward three fields: life sciences, information solutions, and advanced manufacturing. "You focus on what we're good at," he said.

To that end, Vilsack has proposed establishing the \$500-million Iowa Values Fund, consisting of five elements:

- \$50 million to establish high-speed Internet access in every Iowa community.
- \$50 million for alternative-energy resource development, with the goal of producing 1,000 megawatts a year within 10 years. "We will become an energy exporter," Blouin said.
- \$50 million, primarily for capital projects, to upgrade research parks at the state's Regents

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Universities. The money would be geared toward life sciences and business incubators.

- \$250 million for incentives to attract companies in the three target fields.
- \$100 million to provide incentives for regional (rather than city-by-city) economic development. Competition between neighboring communities is a destructive force, Blouin said.

It hasn't been determined how those \$350 million in incentive funds will be allocated. What *has* been proposed is a public-private partnership (known as the Iowa New Economy Council) to set parameters for how those incentive dollars will be spent, said Tina Hoffman, director of communications for the Iowa Department of Economic Development. That board would work something like the Vision Iowa Board, which set the guidelines and the process for allocating \$300 million for major tourism projects throughout the state.

But "the details really haven't been worked out," Hoffman said.

Also uncertain is from where the \$500 million will come. Vilsack has proposed bonding for the money and earmarking gambling revenues – perhaps \$40 million a year – to retire the bonds, Blouin said.

He added that the governor is open to ideas. "There are a lot of ways [to raise the money] if the legislature wants to," he said. He added that many of the plan's details have not been decided, to give the legislature, citizens, and business groups as much say as possible. "He has purposely not dotted 'I's and crossed 'T's on this plan," Blouin said. "He doesn't want this to be the Tom Vilsack plan."

"As he [Blouin] readily admits, it's a skeleton," Hart said. "It's more of a concept at this point than a proposal."

Kathy Evert, DavenportOne's senior vice president of economic development and president of Professional Developers of Iowa, said it's more important to push the *concept* now, and work on details later. "Right now, we're working on selling the notion that we need the fund," she said.

There are already some questions about the details that have been laid out. Hart said that allocating \$50 million to the Regents Universities needs to be justified more, because those institutions have historically eaten up a lot of state resources yet have not provided much in terms of economic development. "I'd like to understand the thinking and the logic of that more," Hart said.

Evert said she'd like to see the legislature consider incorporating other approaches to business incubation, such as Davenport's planned AgTech Venture Capital Center. "Businesses are going to spin out and be more successful in a business environment" than in an academic setting, she said.

Blouin has an April 1 target for passing the package, and it could well be now or never. "We've

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got to get it done this year,” he said. Nobody’s up for election in the legislature this year, and divisions between political parties and between rural and urban interests seem smaller this year.

When asked what his department would do without the \$500 million, Blouin’s answer was, in essence: not much. “We can re-focus and target our efforts,” he said.

That will include creating evaluation models for state programs. The state presently doesn’t have “any way to tell you” whether a program is effective or cost-effective. The state will work to have goals and evaluation techniques for all economic-development programs by the end of the year. “When a program can’t prove its worth, we eliminate,” he said.

The economic-development legislative agenda is broader than just the Iowa Values Fund, though.

Blouin said the state could provide tax credits for investors in local economic-development revolving-loan funds, perhaps as much as \$20 million in tax breaks for every \$100 million of investment.

Eliminating or reducing competition between neighboring communities would require a system in which communities share the wealth. The problem, Blouin said, is that current property-tax system is winner-take-all. “We can spread the pride; the tax is harder to deal with,” he said. Property-tax reform – something that might give each community a percentage of the regional property-tax growth – could address that problem.

“We need to try different things,” Blouin said.