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FERTILIZER PLANT

Lawmaker questions incentives for Iowa fertilizer plant

Rod Boshart Sep 24, 2012



Orascom Construction Industries expects to begin production this year at this \$1.9 billion fertilizer plant in Algeria. Orascom also is building a \$1.4 billion fertilizer plant in Iowa's Lee County. The company chose Iowa in part because of \$110 million in state tax credits and \$130 million in local tax breaks it was offered. (FILE PHOTO)

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Updated: A state senator has called on Gov. Terry Branstad to explain why more than \$240 million in state and local tax dollars were committed to attract a fertilizer plant to southeast Iowa when the international company involved already stood to gain as much as \$300 million in federal taxpayer subsidies if it invested in Iowa.

The project in question is a \$1.4 billion fertilizer plant to be built on a 500-acre site in Lee County. Egypt-based Orascom Construction Industries chose Iowa in part because of \$110 million in state tax credits and \$130 million in local tax breaks it was offered.

Sen. Joe Bolkcom, D-Iowa City, chairman of the Senate Ways and Means Committee, told a Statehouse news conference Monday that he learned from discussions with Iowa Department of Economic Development officials that Orascom also was approved for \$1.2 billion in Midwestern Disaster Area bonds by the Iowa Finance Authority in April.

The federal bonds were created to help businesses recover from the historic 2008 floods that devastated parts of the Iowa and the Midwest, and every site under consideration in Iowa for the proposed fertilizer plants qualified for the bonds, while competing Illinois sites did not qualify.

For several weeks, a site in rural Scott County was under consideration for the plant.

The bonds allow private companies to borrow at tax-exempt rates, Bolkcom said, meaning they save up to 2 percent on their borrowing costs. Assuming the bonds produce a net savings of \$300 million for Orascom, he said, the corporation would receive a total of \$550 million in taxpayer subsidies from federal, state and local governments.

“We’d like to suggest that there was no reason to waste \$250 million to convince this giant international corporation to essentially do what it was going to do any way. This is probably the worst economic development deal in the state’s history,” Bolkcom said. “We should have used this money to cut commercial property taxes for every Iowa business instead of giving this multi-national corporation this \$250 million that we did not need to.”

Bolkcom challenged contentions that Illinois was in a heated battle with Iowa to land the plant. That was why Iowa “went way overboard” in subsidizing what looks to be a profitable venture that didn’t need such a generous incentive package, he said.

“Illinois could never compete with the federal subsidies worth as much as \$300 million that Orascom Construction Industries would gain for siting the plant in Lee County, a federally declared flood disaster area,” said Bolkcom, who calculated that the 165 permanent jobs that will be created in Lee County would cost \$3.3 million per job in taxpayer subsidies. “I believe this plant was coming to Iowa, and we got taken to the cleaners.”

Branstad spokesman Tim Albrecht rebutted Bolkcom's claims, saying the state needed to provide up to \$110 million in tax credits to sway the company to bring the 165 permanent jobs, along with hundreds of construction jobs and other financial benefits — such as lower-cost fertilizer — to Iowa rather than seeing the project end up in Illinois.

“Gov. Branstad won’t apologize for fighting for every single job that he can bring to the state,” he said.

“These incentives did need to be there in order for Iowa to compete for this lucrative project,” Albrecht added. “We simply weren’t going to turn our backs of the people of southeast Iowa who have a higher unemployment rate than the rest of the state, and we were going to fight for those jobs. Gov. Branstad came to the table and fought for those jobs and was successful.”

Bolkcom said he would support legislative efforts to pare back incentives offered to lure business development and would advocate for requiring legislative sign-off on future multimillion-dollar commitments made by executive-branch officials.

DES MOINES — A state senator from Iowa City on Monday called on Gov. Terry Branstad to explain why more than \$240 million in state and local tax dollars were committed to attract a fertilizer plant to southeast Iowa when the international company involved already stood to gain as much as \$300 million in federal taxpayer subsidies — but only if it invested in Iowa.

The project in question was a \$1.4 billion fertilizer plant to be built on a 500-acre site in Lee County. Egypt-based Orascom Construction chose Iowa in part because of \$110 million in state tax credits and \$130 million in local tax breaks it was offered.

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competing Illinois sites did not qualify.

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“This is the worst economic development deal in state history,” said Bolkcom, chairman of the Senate Ways and Means Committee, who calculated that the 165 permanent jobs that will be created in Lee County would cost \$3.3 million per job in taxpayer subsidies.

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Bolkcom said the Branstad administration “went way too far” in offering state and local incentives on top of the federal benefits. He said he would support legislative efforts to pare back incentives offered to lure business development and would

advocate requiring legislative sign-off on future multimillion-dollar commitments made by executive-branch officials.

