

FILED APR 14 1998

SENATE FILE 2419  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 2219)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to funding of new jobs training programs.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2419

1 Section 1. NEW SECTION. 15A.8 LOANS PAYABLE FROM NEW  
2 JOBS CREDIT FROM WITHHOLDING.

3 1. As an additional means to provide moneys for the  
4 payment of the costs of a new jobs training project or  
5 multiple projects under chapter 260E and this chapter, a  
6 community college may make an advance or loan, including an  
7 interfund transfer or a loan from moneys on hand and legally  
8 available, to be paid from the same sources and secured in the  
9 same manner as certificates described in sections 15A.7 and  
10 260E.6.

11 2. Revenues from a job training agreement received prior  
12 to the payment in full of certificates, loans, or advances,  
13 and not pledged to such certificates, loans, or advances, and  
14 not necessary for the payment of principal and interest  
15 maturing on such certificates, loans, or advances, may be  
16 applied by the community college to the reduction of any other  
17 outstanding certificates, loans, or advances.

18 Sec. 2. Section 422.16A, Code Supplement 1997, is amended  
19 to read as follows:

20 422.16A JOB TRAINING WITHHOLDING -- CERTIFICATION AND  
21 TRANSFER.

22 Upon the completion by a business of its repayment  
23 obligation for a training project funded under chapter 260E,  
24 including a job training project funded under ~~chapter 260E~~ and  
25 section 15A.8 or repaid in whole or in part by the  
26 supplemental new jobs credit from withholding under section  
27 15A.7 or section 15.331, the sponsoring community college  
28 shall report to the department of economic development the  
29 amount of withholding paid by the business to the community  
30 college during the final twelve months of withholding  
31 payments. The department of economic development shall notify  
32 the department of revenue and finance of that amount. The  
33 department shall credit to the workforce development fund  
34 account established in section 15.342A twenty-five percent of  
35 that amount each quarter for a period of ten years. If the

1 amount of withholding from the business or employer is  
2 insufficient, the department shall prorate the quarterly  
3 amount credited to the workforce development fund account.  
4 The maximum amount from all employers which shall be  
5 transferred to the workforce development fund account in any  
6 year is ten million dollars.

7 EXPLANATION

8 This bill relates to the funding of new jobs training  
9 projects. The bill provides that a community college may make  
10 an advance or loan, including an interfund transfer or a loan  
11 from moneys on hand and legally available, to be paid from the  
12 same sources and secured in the same manner as certificates  
13 described in Code sections 15A.7 and 260E.6. Provided certain  
14 criteria are met, the bill allows revenues from a job training  
15 agreement received prior to the payment in full of  
16 certificates, loans, or advances to be applied by the  
17 community college to the reduction of any other outstanding  
18 certificates, loans, or advances.

19 The bill makes conforming amendments to Code section  
20 422.16A.

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**SENATE FILE 2419  
FISCAL NOTE**

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A fiscal note for Senate File 2419 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Senate File 2419 relates to new jobs training projects. The Bill would allow community colleges to retain certain State Income Tax Withholding payments after the job training projects to which those tax payments were pledged have been satisfied. The retained income tax would be held in a "pool" which could be used to repay other (defaulted) job training certificates issued through the community college. The Bill does not limit the size of the pool. The Bill does not specify what community colleges may do with the interest on the pool. The Bill would also allow community colleges to finance job training projects with their own funds with repayment made through Income Tax Withholding and incremental property tax payments.

**BACKGROUND**

Job training certificates (debt) are issued by community colleges on behalf of qualified businesses to finance job training expenses. The certificate repayment is structured over ten years. The community college and qualified businesses are allowed to use up to 3.0% of certain employees' State Income Tax payments to repay the certificates (property tax payments are also allowed to be used for certificate repayment, however, this financing mechanism is not addressed in this Fiscal Note). In some instances, the income tax stream exceeds the debt stream, so the certificate can be satisfied early. Under current law, after the certificate is satisfied, the income tax stream is deposited to the Department of Economic Development's Workforce Development Fund. Also under current law, if a business defaults on a certificate or project, the debt would be repaid by other funds of the community colleges or by the property taxpayers in the community college area.

Current law caps annual deposits to the Workforce Development Fund at \$10.0 million. After that time, the income tax stream in excess of \$10.0 million would flow to the State General Fund (currently projected to occur in FY 2001).

**ASSUMPTIONS**

1. The average annual income tax stream received in excess of the amount needed to satisfy certificates will be \$61,000 across all certificates.
2. A certificate or project is paid in full when the debt is repaid or sufficient revenue is available to repay the debt through escrow.
3. The simple interest rate for the retained funds will be 5.5%.
4. The availability of the pool will not cause community colleges to participate in projects posing greater risk of default.
5. Allowing the community colleges to finance projects with their own funds will not significantly increase the total dollar value of projects funded with State Income Tax Withholding.

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**FISCAL IMPACT**

The fiscal impact of Senate File 2419 would be \$64,000 per year, beginning in FY 1999 (amount includes the retained income tax and interest on the balance). In the first two years, the Bill would impact the Workforce Development Fund. In FY 2001 and beyond, the impact would be to the General Fund. At the end of six fiscal years, the pool of money accumulated by the community colleges would be \$433,000. The money could be used to pay defaults or underpayments.

In addition, the Bill would shift the financial burden of project defaults or underpayments from the community colleges and property taxpayers to the Workforce Development Fund in FY 1999 and FY 2000 and the General Fund in FY 2001 and beyond. The number and cost of defaults and underpayments cannot be determined.

**SOURCES**

Legislative Fiscal Bureau  
Department of Economic Development

(LSB 4098SV, JWR)

FILED APRIL 20, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR

Maddox  
Douglas  
Palmer

SSB 2214  
Ways & Means

SENATE FILE Succeeded By  
SE/HF 2419  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON DOUGLAS)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
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