



HF 2407 – Apprenticeships (LSB 5292HV)

Analyst: Kenneth Ohms (Phone: (515) 725-2200) (kenneth.ohms@legis.iowa.gov)

Fiscal Note Version – New

Description

House File 2407 relates to changes to the job training program and fund under Iowa Code chapter **260F**. This Bill does the following:

- Requires an eligible business to apply directly to the Iowa Economic Development Authority (IEDA) for financial assistance related to job training and the IEDA may establish by rule a maximum benefit amount for any one project.
- Makes matching funds required by participating businesses optional, and revises the form awards can be made in to include loan, forgivable loan, and grant, and make repayment provision dependent upon successful completion and the type of entity that provided the training.
- Repeals and replaces the current Apprenticeship Program with a new Financial Assistance for Apprenticeship Program administered by the IEDA.
- Creates a Job Training Fund in the State Treasury under the control of the IEDA.
- Requires the IEDA to transfer all funds in the Workforce Training Fund to the Job Training Fund.
- Requires funds in the Job Training Fund to be allocated 50.0% for Financial Assistance to Eligible Businesses and 50.0% for Financial Assistance for Apprenticeship Programs.
- Caps the administrative fees for the IEDA at 2.0%.
- Caps the administrative fees for community colleges at 5.0%.
- Repeals the Business Network Training Program.
- Provides for transition and directs loan payments, repayments, recaptures, and any other funds to the Job Training Fund.

Background

The Workforce Development Fund was created by the 1995 Iowa Acts **Chapter 184** (Workforce Development Fund Act). The purpose of the Workforce Development Fund is to provide revenue for programs that address the workforce development needs of Iowa primarily related to incumbent worker retraining and apprenticeships. The Fund is administered by the IEDA, and the 15 community colleges are responsible for implementing and managing the program within their regionally defined areas. Community colleges enter into an agreement with an eligible business to establish a training project. To receive 260F funds for a project, the community colleges then submit an application to the IEDA.

The General Assembly appropriates from the Workforce Development Fund Account to the Workforce Development Fund. In FY 2014 this appropriation was \$4.0 million. Iowa Code section 15.343 currently requires the money in the Workforce Development Fund to be allocated as follows:

- \$3.0 million for the Iowa Job Training Fund in Iowa Code section **260F.6**.
- \$1.0 million for the High Technology Apprenticeship Program in Iowa Code section **260F.6B**.

Currently, Iowa Administrative Code 261-7.4(5) requires \$300,000 of the \$3.0 million in the Iowa Job Training Fund to be allocated for business network training projects, leaving \$2.7 million for distribution based on the community college distribution formula. Additional background information can be found in this *Fiscal Topic* [Budget Unit: Workforce Investment Fund](#), and the recent IEDA Report on [Workforce Training Programs](#).

Assumption

- The \$4.0 million will be appropriated in FY 2015 from the Workforce Training Fund Account to the Workforce Training Fund.
- All of the administrative funding currently available for a community college at its designated administrative rate is fully expended.
- Only administrative costs for state funds are included.

Fiscal Impact

No fiscal impact to the General Fund.

The fiscal impact for the distribution of program funds is presented in the table below.

260F Program Allocations			
	<u>Current Law</u>	<u>HF 2407</u>	<u>Difference</u>
Iowa Job Training	\$2,700,000	\$2,000,000	\$ -700,000
Business Network Training	300,000	0	-300,000
Apprenticeship Training	1,000,000	2,000,000	1,000,000
Total	\$4,000,000	\$4,000,000	\$ 0

With the community colleges no longer handling all applications, they will no longer receive the administrative fees for all job training projects, estimated at \$428,000 in state funds in FY 2014. This does not include the loss in the administrative costs charged against private match funds if the community college chose to charge those. For the Apprenticeship Program, the community colleges that utilize the program would lose an estimated administrative costs of \$131,000.

In FY 2015, the IEDA would be eligible for an estimated \$80,000 in administrative costs for the entire program. Additionally, if every business opted to go through a community college as a training provider, the community colleges would be eligible for a total of \$100,000 in administrative costs from disbursed funds.

This fiscal note does not account for any additional funds that may be appropriated to the Workforce Training Fund. Any additional funds will be split 50.0% to Financial Assistance to Eligible Businesses and 50.0% to Financial Assistance to Apprenticeship Programs.

Sources

Iowa Economic Development Authority
Department of Education

/s/ Holly M. Lyons

March 18, 2014

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
