Regulatory Analysis

Notice of Intended Action to be published: 871—Chapter 62
"Iowa Industrial New Jobs Training Program"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 260E.7(3)
State or federal law(s) implemented by the rulemaking: Iowa Code section 260E.2

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

July 1, 2025
9 a.m.

Microsoft Teams
Meeting ID: 238 408 589 250
Passcode: 6iu9Cw6Y
Dial in by phone: +1 469.998.6043
Find a local number
Phone conference ID: 324 020 485#

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by Iowa Workforce Development no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Rebecca Stonawski
Iowa Workforce Development
1000 East Grand Avenue
Des Moines, Iowa 50319
Phone: 515.868.1939
Email: rebecca.stonawski@iwd.iowa.gov

Purpose and Summary

The purpose of these proposed rules is to provide a framework for the operation of the Iowa Industrial New Jobs Training Program.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Community colleges may have administrative costs involved in oversight of the 260E program.

- **Classes of persons that will benefit from the proposed rulemaking:**

Iowa community colleges, businesses and employees will benefit.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

There is no quantitative impact.

- **Qualitative description of impact:**

Iowa employees gain additional skills that improve the competitiveness of Iowa businesses. New and expanding Iowa businesses also benefit through the creation of new jobs, ultimately boosting Iowa's economy.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Iowa Workforce Development employs one person who oversees the 260E program. This work takes approximately 30 percent of the person's time.

- **Anticipated effect on State revenues:**

There is no anticipated effect on State revenues.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

Not applicable.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The Iowa legislature has not implemented any legislative initiatives suggesting a change.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

Not applicable.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Iowa legislature has not implemented any legislative initiatives suggesting a change.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

Not applicable.

Text of Proposed Rulemaking

ITEM 1. Rescind 871—Chapter 62 and adopt the following **new** chapter in lieu thereof:

CHAPTER 62
IOWA INDUSTRIAL NEW JOBS TRAINING PROGRAM

871—62.1(15,260E) Authority. The authority for rules governing the development of training projects under the Iowa industrial new jobs training Act and the operation of the program is provided in Iowa Code section 260E.7.

871—62.2(15,260E) Purpose. The purpose of the Act is to provide training for employees in new jobs with industries locating or expanding operations in Iowa and an incentive to industries considering locating or expanding operations in Iowa. The goal of the training should be skill development and enhancement for Iowa's workforce. Iowa workforce development is required to coordinate the training programs described in the Act.

871—62.3(15,260E) Definitions.

"Act" means Iowa Code chapter 260E.

"Agreement" means an agreement between an employer and a community college concerning a project and includes any written agreement, or amendment thereto, whether deemed by the parties to be preliminary or final.

"Base year" means, for the purpose of determining incremental property tax available to fund in part the jobs training agreement, the assessment rolls as of January 1 of the year preceding the first written agreement filed with the county assessor where the property is located or such other valuation as may be determined by the appropriate assessor as provided in Iowa Code section 403.19(1)*"c."*

"Department" means Iowa workforce development.

"Expanding industry" means an industry that will require the addition of new jobs that did not exist in that industry in Iowa prior to the signing of an agreement for training and that exceeds the level of employment in that industry six months prior to the date of the agreement.

"Formerly existing jobs" means jobs that were part of the payroll of the industry within the state any of the time during the six months prior to the signing of an agreement for training. Jobs that formerly existed do not qualify for training under the provisions of Iowa Code section 260E.2(15).

"Industry" means a business engaged in interstate or intrastate commerce for the purpose of manufacturing, processing, or assembling products, conducting research and development, or providing services in interstate commerce, but excludes solely retail, health, or professional services. An industry is a business engaged in activities described as eligible in the Act rather than the generic definition encompassing all businesses in the state doing the same activities. An industry is considered to be a single, corporate entity or operating subdivision. An industry that closes or substantially reduces its operation in one area of the state of Iowa and relocates substantially the same operation in another area of the state is not eligible for a project. This definition does not prohibit a business from expanding its operations in another area of the state provided that existing operations of a similar nature are not closed or substantially reduced.

"New industry" means an industry that has not done business in Iowa or an existing industry implementing a new process and product used or produced for the first time in Iowa, which results in the creation of new jobs not previously available in that industry in the state.

"New job" means a job in a new or expanding industry but does not include jobs of recalled workers or replacement jobs or other jobs that formerly existed in the industry in the state of Iowa. A new job is defined in the Act, except that an industry in violation of state or federal labor laws or involved in a lockout or strike in Iowa will not be eligible for a training program under the Act.

"New jobs training program" or *"program"* means the project or projects established by a community college for the creation of jobs by providing education and training of workers for new jobs for new or expanding industry in the merged area served by the community college. The proceeds of the certificates, as authorized by the Act, will be used only to fund program services related to training programs made necessary by the creation of new jobs.

871—62.4(15,260E) Agreements.

62.4(1) *Notification.* The community college will notify the department of all agreements deemed to be final and ready for project funding by entering data and uploading required documentation identified by the department into the 260E Data System within 30 days of execution by all parties. The corresponding official statement will be uploaded by the community college when it is completed. The notice of final agreement will provide all pertinent training services and financial

details in the manner determined by the department. The notice will be signed by the community college officials authorized by the college. All written agreements will also be reported and verified through updates by the college, provided in a time frame specified by the department, in the same manner that the annual report is provided to the department. Except where otherwise prescribed in these rules, the department, in conjunction with the community colleges, will develop a format and timetable for reporting relevant information to the department. Such reporting will include but will not be limited to information and official statements with respect to all final agreements and related certificate sales, information regarding college procedures for training agreement review and training project monitoring, and documentation of identified events of default, remedies and repayment policies.

62.4(2) *Additional agreement items.* In addition to the provisions of an agreement described in Iowa Code section 260E.3(1) through 260E.3(5), the agreement will include the following items:

a. The length of time each new job category will be provided on-the-job training.

b. The completion date of all other training.

c. If the supplemental new jobs credit is to be utilized as authorized in Iowa Code section 256.7(14), the agreement must be signed by the business(es), community college, and the department of revenue for the use of an additional 1½ percent withholding to educate and train new employees.

62.4(3) *Compliance with department of revenue requirements.* When an agreement for training is deemed final and ready for project funding, the community college will notify the department of revenue within 30 days of the date of execution of the agreement. Notification will be in writing on forms and in the manner determined by the department and is considered complete when entries have been saved in the data system.

If, at any time after notification, the estimates are revised, or if changes are made in the agreement that would affect the above reporting requirements, the department of revenue and the department will be notified within 30 days.

62.4(4) *Allowable cost.* A community college may be reimbursed from certificate proceeds for reasonable administrative costs and legal fees incurred prior to the date of the preliminary agreement. Training costs incurred prior to the date of the preliminary agreement are not reimbursable.

62.4(5) *Cost standards.* The standard vocational preparation guide, as provided in the Dictionary of Occupational Titles for determining classification of jobs and the length of allowable training periods, may be used by a community college in estimating the cost of on-the-job training. Where these standards are not appropriate, reasonable time periods for on-the-job training will be based on the standard vocational preparation guide for similar classifications. Reimbursement of a new employee's wages for on-the-job training will not exceed 50 percent of the new employee's annual gross payroll costs. The maximum project total for on-the-job training will not exceed 50 percent of the total available training proceeds.

62.4(6) *Indirect cost rate.* The community colleges may be reimbursed indirect costs at the rate to be determined annually. The indirect cost rate and procedures will be communicated to the community colleges by the department. The rate will be based on function five and nine expenditures of the Iowa area community college uniform accounting system. The indirect cost rate will be applied against the total issuance. Acceptable accounting procedures, as determined by the community college with the department and the state auditor, will be followed in claiming indirect costs.

62.4(7) *Equipment.* Equipment required for training will be an allowable provision in a training project as described in Iowa Code chapter 260E. The cost of equipment used in training will be prorated to the project in that proportion chargeable to the training program, and the remainder of the cost of such equipment will be the responsibility of the employer. Proceeds of the certificates will not be used directly or indirectly to finance land, facilities or depreciable property to be owned by the employer or other private person.

871—62.5(15,260E) Resolution on incremental property tax.

62.5(1) A copy of the resolution by the board of directors of the community college, as described in Iowa Code section 260E.4, will be forwarded to the county auditor(s) affected by it within the merged area.

62.5(2) A community college board of directors anticipating the use of the incremental property tax as a source of funding for an eligible training program is referred to in Iowa Code sections 403.19 and 403.21 and will follow procedures as described therein as provided in Iowa Code section 260E.4.

871—62.6(15,260E) New jobs withholding credit.

62.6(1) *Notification of payments and claims for credit.* Withholding credit for payments to community colleges will be claimed by an employer on the semimonthly, monthly, or quarterly deposit forms during the calendar quarter in which payment is made to a community college. No credit may be claimed until the payment has been made to a community college. The community college will notify the department of revenue by making applicable entries in the 260E Data System within 30 days following the end of a calendar quarter of payments covering withholding credits that have been received for the quarter. If a credit is claimed by an employer and payment is not made to the community college, the amount of credit will be considered to be a delinquent withholding liability and will be subject to assessment of tax, penalty, and interest according to the provisions of Iowa Code section 422.16(10).

62.6(2) *Notification of termination of credit.* Community colleges will notify in writing the department of revenue and the department within 30 days when it is determined that payments for job training withholding credits will no longer be applied against the costs of a project. At project completion, any excess payments for job training withholding credits received by the community college will be forwarded to the department of revenue.

871—62.7(15,260E) Notice of intent to issue certificates. The notice of intent to issue certificates as provided in Iowa Code section 260E.6(5) will be published by the community college in a legal newspaper in the merged area. The application for an allocation of Iowa industrial new jobs training certificates should be submitted to the department, in the format determined by the department and by an official of the community college or by an attorney or agent of the community college, prior to the issuance of certificates for that portion of the issuance that is tax-exempt. Notice of issuance of certificates should be filed with the department within ten days of the issuance and delivery of certificates.

871—62.8(15,260E) Standby property tax levy. A standby property tax levy may be collected at any time other funds are insufficient as provided in Iowa Code section 260E.6(4). The county auditor will be notified by the community college board of directors on an annual basis to adjust the annual standby tax.

871—62.9(15,260E) Reporting. An annual report will be completed by the community college on or before September 15. The format and content will be determined by the department. The report will include training dollar expenditures and names of the providers of the training conducted, the number of pledged new job employees filled, provided program services under the project, the median wage of employees in the new jobs in the project, and the administrative costs directly attributable to the project.

871—62.10(15,260E) Monitoring.

62.10(1) *Monitoring system.* Each community college will establish a monitoring system that includes, at a minimum, a review of the business's compliance with the Act, these rules and the training agreement.

62.10(2) *Annual review.* Monitoring will be conducted by the community colleges at least annually.

62.10(3) *Documentation.* Each community college will document its monitoring efforts and promptly notify the department, on the forms provided, whenever it identifies an event of default.

871—62.11(15,260E) State administration. The community colleges will submit 1 percent of the gross sale of certificates within 30 days of receipt of proceeds from a sale of certificates to the department to defray administrative costs.

871—62.12(15,260E) Coordination with communities. The community colleges will follow the provisions of Iowa Code section 403.21.

871—62.13(15,76GA,SF2351) Supplemental 1.5 percent withholding. For the purposes of determining new jobs training programs established under Iowa Code section 260J.1 eligible to receive a supplemental new jobs credit of 1.5 percent of gross wages from withholding, the following criteria will be met:

62.13(1) Only those new jobs training programs established by a 260E final agreement, approved by the community college board of directors after June 30, 1996, and that include a provision for a supplemental new jobs credit from withholding from jobs created under the agreement are eligible for the supplemental credit.

62.13(2) The department will make available to the community colleges the applicable laborshed wages at the beginning of each state fiscal year for use in determining supplemental withholding credit eligibility for that fiscal year.

62.13(3) For the purposes of determining eligibility for the supplemental credit, starting wages for a new job will be determined on a one-time basis by the community college as follows:

a. The employer will agree, as a part of the final agreement, to pay starting wages that are equal to or greater than the laborshed wages.

b. Only those individual jobs for which the starting wage is equal to or greater than the laborshed wages are eligible for the supplemental new jobs credit from withholding.

c. For purposes of comparing starting wages to the laborshed wages, the community college will reduce the annual gross wages to be paid for the job to an hourly wage based upon a 40-hour workweek.

d. Such determination by the community college will be conclusive and the individual job will thereafter be eligible and may be used for the supplemental credit from withholding to fund the supplemental project under the agreement.

e. Future annual changes in laborshed wages will not affect the eligibility of those jobs that have been determined by the community college to be eligible at the time of final agreement for a project.

62.13(4) The community college may require the employer to supply appropriate payroll records and projections to verify eligibility of the supplemental credit.

This rule is intended to implement the provisions of 1996 Iowa Acts, Senate File 2351, section 8, effective July 1, 1996, and does not affect agreements that do not contain a provision for a supplemental new jobs credit from withholding.

These rules are intended to implement Iowa Code chapter 260E and Iowa Code chapter 403 as it relates to Iowa Code chapter 260E.