



# WORKFORCE PROGRAMS FOR IOWA BUSINESS

2019 ANNUAL REPORT

**IOWA**<sup>®</sup>  
economic development

The Iowa Economic Development Authority (IEDA) is charged by the Iowa General Assembly with coordinating five programs that provide customized training to Iowa business and industry:

1. Industrial New Jobs Training Act – 260E
2. Iowa Jobs Training Act – 260F
3. Accelerated Career Education Program Act – 260G
4. Apprenticeship Training Act – 15B
5. Future Ready Iowa Apprenticeship Development Program – 15C

IEDA administers these programs on behalf of the state of Iowa by ensuring conformance with statutory and administrative rule provisions, providing guidance, and requiring accountability and transparency in operational practices. Each of Iowa's 15 community colleges is responsible for implementing the 260E, 260F and 260G within its merged area.<sup>1</sup> IEDA directly manages the 15B and 15C programs.

## Iowa Industrial New Jobs Training Program (NJTP) – 260E

### Annual Reporting Requirement

The Iowa Industrial New Jobs Training Program (NJTP), commonly referred to as “260E,” became effective July 1983. Authorizing legislation is found in Chapter 260E of the Iowa Code. Iowa Code 260E.7 directs IEDA to coordinate and review the 260E program and to adopt, amend or repeal administrative rules under Iowa Code Chapter 17A, the Iowa Administrative Procedure Act. Community colleges are to implement the 260E program, adhering to 261 Iowa Administrative Code Chapter 5. IEDA is responsible for identifying information needed to effectively coordinate and review the program and to issue a report on its effectiveness.

### Program Information – Two Sources

Information needed for 260E administration, evaluation and reporting, including preparation of this report, is maintained in two databases. Both rely on ongoing updating of information by the colleges and are subject to IEDA review and reporting.<sup>2</sup> The two systems include:

1. Transcript and reimbursement data system maintained by each college
2. Centralized 260E data system maintained by IEDA

Community colleges piloted a transcript and reimbursement database system starting in 2012 to enhance the review of 260E training expenses submitted for reimbursement by Iowa businesses. The system provides an unofficial record of training received by employees in 260E positions.<sup>3</sup>

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<sup>1</sup> Iowa Code section 260C.2 defines a merged area “where two or more school systems or parts of a school systems merge resources to operate a community college in the manner provided for in this chapter.” All of Iowa's 99 counties are included in one of the community colleges merged areas.

<sup>2</sup> Iowa Code sections 260E.7, and 84A.5.

<sup>3</sup> Documents 260E training providing a transcript (record) to the employee. Training could be for non-credit or credit.

Each college maintains its transcript and reimbursement system, and certain components of the system may vary among colleges. For example, Des Moines Area Community College (DMACC) invested in a comprehensive transcript data system that has been adopted by several other community colleges. Other community colleges have developed their own systems using outside contractors or have maintained a Datatel transcript system with coding parameters to differentiate 260E employees. Some colleges maintain a system of spreadsheets to track all 260E new jobs employees.

The second database that IEDA relies upon to prepare this report is the centralized IEDA 260E data system, which was developed in collaboration with the community colleges. Each college enters, uploads, and maintains information and documents as required under statutory and administrative rule provisions.

This section describes how 260E is funded through public debt financing by selling bond certificates in the municipal bond market, fiscal years 2018 and 2019 certificate sales,<sup>4</sup> and the allocation of certificate proceeds. Information on training agreements between community colleges and Iowa businesses is included. Efforts to reconcile diverted income tax withholding payments to colleges with tax credit claims made by participating businesses is addressed. As 260E operations are ongoing, additional certificates may have been sold, training agreements executed, and other activities conducted since this report was prepared.

## Summary

The 260E program is a business incentive program. It shares in the cost of training employees in new jobs created by a business expansion or startup in Iowa. An eligible business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing or assembling products, conducting research and development, or providing services in intrastate commerce. Retail, health and professional services are excluded. Businesses that substantially reduce operations in one area of the state and relocate substantially the same operations in another area of Iowa, as well as businesses involved in a strike, lockout or other labor dispute in Iowa, are not eligible.

Community colleges enter into training agreements<sup>5</sup> with eligible businesses to establish single or multiple projects to provide training to employees in new jobs. A final agreement executed between a community college and a business is a binding contract. To fund training, colleges borrow money from investors in the form of bond certificates. Like other bonds, revenues are pledged for repayment with interest to certificate purchasers. Certificates are repaid by capturing a portion of the State of Iowa tax dollars generated by the new jobs payroll and diverting these dollars into special funds controlled by the colleges. Annually, colleges go to the municipal securities market to sell about \$42.3 million in certificates.<sup>6</sup>

A 260E bond certificate issuance is described and presented in an Official Statement (OS) prepared by the financial advisor retained by the college. The purpose of the OS is to provide accurate and complete information about the securities transaction to keep potential investors fully informed. Material information about the college selling the certificate, such as operating and financial detail is included, in addition to the property tax valuation of the merged area, and the business(es) for which training is being financed through the sale of the certificate.

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<sup>4</sup> Fiscal Years 2018 and 2019 bond certificate sales per date of the Official Statements.

<sup>5</sup> 261 IAC 5.3 "an agreement means an agreement between an employer and a community college concerning a project and includes any written agreement, amendment thereto, whether deemed by the parties to be preliminary or final."

<sup>6</sup> Based on average total of "aggregate bond proceeds" of 260E certificate issuances over the past 10 years.

Community colleges use bond certificates proceeds to:

- Pay fees and expenses for issuing certificates;
- Reimburse businesses for training workers in new jobs;
- Cover 260E administrative costs; and
- Partially fund general administration and overhead of the community colleges.

## Bond Certificate Repayment

Principal and interest on certificate proceeds borrowed by colleges are payable from sources identified in training agreements. Businesses pay the community colleges by diverting a portion of Iowa income withholding taxes generated from the new 260E jobs to the college, rather than paying it to the State. A business may claim the amount paid to the college as a tax credit, effectively reducing its Iowa withholding tax obligation. By law, a business must pay a college before claiming a credit.<sup>7</sup> Sources of funds available for bond certificate repayment may be any one of the following, or a combination:

### Repayment sources

1. New jobs withholding credits (base) – Instead of paying all Iowa withholding tax due to the State of Iowa on wages associated with the new jobs, a business diverts a portion of this amount to the college. This payment is equal to 1.5% of the gross wages paid to employees in the new jobs. These payments are considered 260E base diversion and referred to as “new jobs withholding credits.”
2. New jobs withholding credits (supplemental) – Additional payment equivalent to 1.5% of gross wages paid on new jobs is authorized by Iowa Code 15A.7. This enables a business to divert the equivalent of 3% of the new jobs gross payroll. To be eligible for supplemental diversion, a business must meet certain wage criteria. The diversion is based on a one-time determination of starting wages made by the college. A business can qualify for the supplemental by paying a wage that is 100% or more of the laborshed wage rate in which the site location or expansion is located.

If a business does not create new jobs and, as a result, lacks the anticipated Iowa income tax withholding for payment, it may use withholding from its existing workforce to meet its payment obligation.<sup>8</sup> When a college funds training for multiple businesses through a single issuance of bond certificates, withholding from those other businesses may also be used to make up a shortfall.

Between Fiscal Year 2001 and Fiscal Year 2019, colleges awarded \$785,385,611 in new jobs withholding credits. (Table 1)

3. Incremental Property Tax – The increase in incremental property tax generated because of a 260E site location or expansion may be diverted as payment to a college and forgone by local government. There was no repayment through this source in 2019<sup>9</sup>. The most recent incremental property tax repayment, \$26,839, was made in Fiscal Year 2018.

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<sup>7</sup> 261 IAC 261 5.6(1).

<sup>8</sup> Iowa Code section 260.5(2).

<sup>9</sup> Data provided by the Iowa Department of Management

4. Reserves – Community colleges set aside a portion of the certificate proceeds as a reserve that may be used to make principal and interest payments in the initial year of the project before any payments from businesses are received. Colleges also sometimes use reserves as a payment source after revenue is received.
5. Other – Iowa Code 260E.3 authorizes use of tuition, student fees or special charges fixed by the community college’s board of directors to defray 260E costs. These sources are rarely used.

### **Standby Property Tax Levy**

Iowa Code 260E.6(4) requires the community college’s board of directors to further secure repayments specified in the training agreements by passing a standby property tax levy resolution for the college’s merged area. The college can invoke the levy only in the event of a 260E payment default by a business or businesses. All standby property tax revenues are to be deposited in a special fund and may only be used to pay certificate principal and interest if payments stipulated in training agreements prove insufficient.

### **Iowa New Jobs Tax Credit**

A business participating in the 260E program may be eligible to claim a one-time New Jobs Tax Credit (NJC). Iowa Code sections 422.11A and 422.33(6) authorize a business that increases its base employment level by at least 10% or, in the case of a startup, creates new jobs, to claim a NJC. The business can claim the credit against corporate income taxes owed during the tax year selected by the business or, where the business is a pass-through entity, on individual income taxes.

The credit equals 6% of the taxable wages, which the employer is required to contribute to the State unemployment compensation fund (\$1,836 per job created in 2019), multiplied by the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. Businesses have claimed \$36,801,958 from Fiscal Year 2007 to Fiscal Year 2019. (Table 1)

The Iowa Department of Revenue (IDR), Tax Research and Program Analysis Section periodically conducts a review of all 260E Tax Credit claims. The most recent IDR data is set out in Table 1.

**Table 1**

Iowa Department of Revenue

260E Tax Credits from the Contingent Liabilities Report, October 2019<sup>10</sup>

	260E Withholding Credits Awarded	260E and Supplemental Credit Claims on Withholding Returns	New Jobs Income Tax Credit Claims	Total 260E Withholding and Income Tax Credit Claims
FY 2001	\$38,567,500	n/a	n/a	
FY 2002	\$36,465,750	n/a	n/a	
FY 2003	\$26,705,000	n/a	n/a	
FY 2004	\$26,746,500	n/a	n/a	
FY 2005	\$51,995,000	n/a	n/a	
FY 2006	\$40,280,000	\$29,928,649	n/a	
FY 2007	\$60,110,000	\$42,996,886	\$4,473,924	\$47,470,810
FY 2008	\$59,050,000	\$47,507,655	\$4,627,118	\$52,134,773
FY 2009	\$48,925,000	\$47,189,017	\$4,403,826	\$51,592,843
FY 2010	\$32,065,000	\$47,526,601	\$3,068,471	\$50,595,072
FY 2011	\$40,755,000	\$45,892,441	\$2,355,421	\$48,247,862
FY 2012	\$48,500,000	\$48,660,167	\$2,618,095	\$51,278,262
FY 2013	\$35,655,727	\$43,488,612	\$3,325,110	\$46,813,722
FY 2014	\$38,667,132	\$42,602,821	\$2,017,380	\$44,620,201
FY 2015	\$39,860,995	\$42,545,640	\$1,623,321	\$44,168,961
FY 2016	\$40,285,007	\$39,247,732	\$2,300,085	\$41,547,817
FY 2017	\$38,167,000	\$38,327,031	\$2,884,581	\$41,211,612
FY 2018	\$44,600,000	\$37,263,469	\$1,706,952	\$38,970,421
FY 2019	\$37,985,000	\$33,773,710	\$1,397,674	\$35,171,384
<b>Total</b>	<b>\$785,385,611</b>	<b>\$586,950,431</b>	<b>\$36,801,958</b>	<b>\$593,823,740</b>

## 260E Agreements

Program services authorized under 260E, conditions that must be included in agreements and a list of documents each college must submit to IEDA are outlined in Iowa Code and administrative rules.<sup>11</sup> They include:

### Program services

- New jobs training
- Adult basic education and job-related instruction
- Vocational and skill-assessment services and testing
- Training facilities, equipment, materials and supplies
- On-the-job training (OJT)
- Administrative expenses for the new jobs training program
- Subcontracted services with institutions governed by the board of regents, private colleges or universities, or other federal, state or local agencies
- Contracted or professional services

<sup>10</sup> N/A indicates the information is "not available" because the data was not tracked at that time. The table also includes historical data or information uploaded by the community colleges to the 260E database in use at the time by the Iowa Department of Economic Development (IDED).

<sup>11</sup> Iowa Code subsections 260E.2 and 3 and 261 IAC 5.4.

- Issuance of certificates

### Information and requirements that must be contained in each Agreement

- Costs to be incurred and the minimum amounts of guaranteed revenue sources to pay for such costs
- A provision that program costs must be paid within 10 years from the date a training project commences
- The length of time each new job category will be provided on-the-job training
- The completion date of all other training
- A provision that on OJT reimbursement will not exceed 50% of the annual gross payroll costs of the new jobs for up to one year
- A provision that payment requirements of the participating business to the college are liens upon the business's property until paid in full

### Documents colleges must submit to IEDA

- A copy of the final program agreement, including pertinent training services and financial details
- Corresponding Official Statement of the bond certificate financing the agreements
- Updates on agreements, as specified by IEDA, throughout the life of the agreements
- Procedures used by the college for ongoing review and project monitoring of the agreements
- Documentation of identified events of defaults,<sup>12</sup> remedies and repayment policies

### IEDA Administrative Fee – 1%

Iowa Code 15.251 allows IEDA to charge the community colleges a fee of up to 1% of the gross sale amount of the certificates. The fee is to be used for 260E administration, including legal and compliance functions.

### Indirect Cost Rate

260E program training agreements cover program costs<sup>13</sup> which, by statute, are the necessary and incidental costs of providing program services of the 260E.<sup>14</sup> The amount of reimbursement paid to colleges is not based on actual incurred costs, but rather, at an indirect rate established by Iowa Administrative Code.<sup>15</sup> This rate is based on the community colleges' combined general administration and general institution expenditures as a percentage of the total sum of all expenditures by the colleges. Colleges apply the indirect rate against aggregate bond certificate proceeds for program costs. The Iowa Department of Education (IDE) determines the rate annually.

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<sup>12</sup> 261 IAC 5.10(3).

<sup>13</sup> Iowa Code section 260E.3 (1).

<sup>14</sup> Iowa Code sections 260E.2 (13) and 260E.2 (14) (f).

<sup>15</sup> 261 IAC 5.4(7).

IDE calculates the indirect cost rate by totaling for the prior fiscal year:

1. General administration expenditures of the colleges (reported as function five)<sup>16</sup>
2. General institution expenditures of the colleges (reported as function nine)<sup>17</sup>
3. All expenditures of the colleges

Functions five and nine expenditures are totaled and divided into the sum of all expenditures for a percentage. This percentage establishes the eligible indirect rate. IDE must provide the colleges with the indirect rate by no later than the start of the State of Iowa fiscal year. IDE uses the most current fiscal year for which financial expenditure data is available. Because data for the preceding fiscal year is not available to IDE until December, IDE uses data that’s two fiscal years out to calculate the indirect rate. For example, FY 2018 financial data is used to calculate the rate for FY 2020. (Table 2)

**Table 2**  
**260E Indirect Cost Rate Calculation**  
**Fiscal Years 2012 through 2020<sup>18</sup>**

Fiscal Year Financial Data	Administrative Function 5	Administrative Function 9	Total Expenditures	Calculated Indirect	For Fiscal Year
2010	\$33,879,257	\$68,319,825	\$504,179,540	20.27%	2012
2011	\$32,846,251	\$69,600,224	\$529,112,811	19.36%	2013
2012	\$35,131,272	\$69,475,026	\$541,290,829	19.33%	2014
2013	\$33,694,159	\$71,629,533	\$552,488,022	19.06%	2015
2014	\$35,024,744	\$72,442,077	\$555,360,825	19.35%	2016
2015	\$32,929,239	\$75,925,281	\$550,716,922	19.77%	2017
2016	\$34,277,503	\$78,426,499	\$561,393,072	20.08%	2018
2017	\$33,293,067	\$80,611,082	\$561,882,894	20.27%	2019
2018	\$34,172,680	\$84,887,864	\$561,882,894	21.19%	2020

### Community College Fee – 19.5%

Through Fiscal Year 2011, the indirect cost rate was the amount calculated by IDE for 260E administrative costs. As function five and function nine expenses increased, the eligible amount available for 260E administrative expenses also increased. Starting with Fiscal Year 2012 through Fiscal Year 2018, the community college presidents approved keeping the fee at the calculated Fiscal Year 2011 cost rate of 18.51%, which is less than the indirect rate available to the colleges. Starting in Fiscal Year 2019, the community college presidents approved an administrative increase to 19.5%. (Table 3)

<sup>16</sup> Iowa Uniform Accounting System for Community Colleges Manual, page 15, General Administration – “All expenditures of the Community College Board of Trustees, the CEO and business office which serve the entire community college should be included in this function. Administrative expenditures, chargeable directly (prorated) to auxiliary enterprises, or to organized activities related to vocational departments should be excluded or deducted from the total included under this function.”

<sup>17</sup> Iowa Uniform Accounting System for Community Colleges Manual, page 16, General Institution – “All other expenditures except those included in functions 1-8.”

<sup>18</sup> Data provided by the Iowa Department of Education.

**Table 3**  
**260E Calculated Indirect Cost Rate and Approved Rate**  
**Fiscal Years 2006 to 2020<sup>19</sup>**

Fiscal Year	Indirect Cost Rate Allowable	Rate Used by Colleges
2006	19.21%	19.21%
2007	17.91%	17.91%
2008	18.04%	18.04%
2009	18.01%	18.01%
2010	18.53%	18.53%
2011	18.51%	18.51%
2012	20.27%	18.51%
2013	19.36%	18.51%
2014	19.33%	18.51%
2015	19.06%	18.51%
2016	19.35%	18.51%
2017	19.77%	18.51%
2018	20.08%	18.51%
2019	20.27%	19.5%
2020	21.19%	19.5%

### Bond Certificate Sales

Community colleges sold 25 bond certificates during Fiscal Years 2018 and 2019. Bond sales provided a total of \$82,380,336.14 in certificate proceeds allocated as follows:

- Training Funds - \$58,134,030.30
- Community College Fees – \$15,546,510.00
- State Fee - \$819,900.00
- Other Costs of Issuance - \$1,488,221.63
- Reserve Fund – \$6,373,861.95

These issuances are financing 200 training agreements with 185 participating businesses<sup>20</sup> pledging 9,881 new jobs. A business may have more than one agreement with a community college or colleges. (Tables 4 and 5)

**Table 4**  
**260E Bond Certificate Issuance**  
**Fiscal Year 2018 and 2019**

Fiscal Year	Bond Amount (Total Sources)	Reserves	Training Fund	College Fee	State Fee	Other Issuance Costs	Pledged New Jobs
2018	\$44,776,364.03	\$3,787,013.44	\$31,525,547.45	\$8,255,460.00	\$446,000.00	\$753,066.89	5,649
2019	\$37,603,972.11	\$2,586,848.51	\$26,608,482.85	\$7,291,050.00	\$373,900.00	\$735,154.74	4,232
<b>Total</b>	<b>\$82,380,336.14</b>	<b>\$6,373,861.95</b>	<b>\$58,134,030.30</b>	<b>\$15,546,510.00</b>	<b>\$819,900.00</b>	<b>\$1,488,221.63</b>	<b>9,881</b>

<sup>19</sup> Data provided by the Iowa Department of Education.

<sup>20</sup> A business may have more than one agreement with a community college or colleges. A college will serve businesses located in its merged area.

**Table 5**

**Proceeds, Businesses and Agreements  
Fiscal Years 2018 and 2019**

Fiscal Year	Bond Amount (Total Sources)	Training Agreements	Pledged New Jobs
2018	\$44,776,364.03	101	5,649
2019	\$37,603,972.11	99	4,232

Some community colleges sell no 260E bond certificate during a fiscal year, while other colleges may have more than one issuance. Colleges also refinance certificates to take advantage of lower interest rates and costs savings. In 2018, 12 colleges had bond sales. Iowa Valley Community College (IVCC), Northeast Iowa Community College (NICC), and Southeastern Community College sold none. In 2019, 10 colleges had bond sales. Northeast Iowa Community College sold two bonds, while five colleges - Iowa Central, Iowa Lakes, North Iowa Area, Southeastern, and Southwestern Community Colleges - sold none.

Information concerning Fiscal Years 2018 and 2019 certificate issuance and use of proceeds is reflected in Tables 6 – 7. Colleges are listed alphabetically. Data provided includes:

- Bond Amount (total sources) – Funds raised through the sale of bond certificates (includes par amount plus interest, premiums and discounts)
- Community College Fee – Allocated for community college administrative fee (19.5% indirect cost rate applied against the par amount)
- State Administrative Fee – Allocated for IEDA administrative fee (1% applied against par amount)
- Other Costs of Issuance – Allocated for other direct issuance costs and fees (includes financial advisor, bond counsel and underwriter fees)
- Reserve Fund Amount – Allocated for one year of bond certificate debt service
- Training Fund Amount – Allocated for training employees occupying new jobs
- Pledged New Jobs – New jobs pledged in training agreements financed by bond certificate sales

The following table shows bond certificates issued in Fiscal Year 2018.

**Table 6**  
260E Bond Certificate Issuances  
Fiscal Year 2018

FY 2018 Bond Issuance	Bond Amount (Total Sources)	Community College Fee	State Administrative Fee	Other Issuance Costs	Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
DMACC	\$8,142,277.95	\$1,492,831.50	\$80,650.00	\$128,191.25	\$158,542.20	\$6,282,063.00	1024
EICC	\$4,884,810.75	\$897,735.00	\$48,500.00	\$74,234.69	\$535,064.81	\$3,320,000.00	565
HCC	\$3,335,000.00	\$617,308.50	\$33,350.00	\$67,764.37	\$351,445.13	\$2,265,132.00	261
IHCC	\$1,400,000.00	\$259,140.00	\$14,000.00	\$23,915.00	\$158,785.00	\$944,160.00	111
ICCC	\$7,533,806.65	\$1,392,877.50	\$75,250.00	\$88,608.75	\$785,410.40	\$5,191,660.00	1159
ILCC	\$1,941,928.85	\$359,094.00	\$19,400.00	\$48,890.28	\$205,650.85	\$1,308,893.72	202
IWCC	\$1,733,940.78	\$322,999.50	\$17,450.00	\$35,540.12	\$174,500.00	\$1,183,451.16	342
KCC	\$4,595,958.50	\$844,056.00	\$45,600.00	\$81,719.45	\$228,000.00	\$3,396,583.05	621
NIACC	\$2,137,173.70	\$395,188.50	\$21,350.00	\$62,205.78	\$216,997.40	\$1,441,432.02	247
NCC	\$1,251,572.60	\$231,375.00	\$12,500.00	\$36,134.20	\$128,563.40	\$843,000.00	110
SCC	\$755,000.00	\$139,750.50	\$7,550.00	\$18,527.00	\$80,000.00	\$509,172.50	80
WITCC	\$7,064,894.25	\$1,303,104.00	\$70,400.00	\$87,336.00	\$764,054.25	\$4,840,000.00	927
<b>Total</b>	<b>\$44,776,364.03</b>	<b>\$8,255,460.00</b>	<b>\$446,000.00</b>	<b>\$753,066.89</b>	<b>\$3,787,013.44</b>	<b>\$31,525,547.45</b>	<b>5649</b>

The following table shows bond certificates issued in Fiscal Year 2019.

**Table 7**  
260E Bond Certificate Issuances  
Fiscal Year 2019

FY 2019 Bond Issuance	Bond Amount (Total Sources)	Community College Fee	State Administrative Fee	Other Issuance Costs	Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
DMACC	\$11,911,701.30	\$2,311,725.00	\$118,550.00	\$174,193.50	\$142,496.80	\$9,164,736.00	1443
EICC	\$5,620,844.86	\$1,077,375.00	\$55,250.00	\$100,647.50	\$647,036.35	\$3,732,000.00	522
HCC	\$5,030,000.00	\$980,850.00	\$50,300.00	\$85,163.15	\$520,951.85	\$3,392,735.00	434
IHCC	\$1,835,000.00	\$357,825.00	\$18,350.00	\$43,965.54	\$195,501.96	\$1,219,357.50	203
IVCC	\$330,000.00	\$64,350.00	\$3,300.00	\$16,020.00	\$27,045.00	\$219,285.00	19
IWCC	\$1,035,000.00	\$201,825.00	\$10,350.00	\$28,785.00	\$103,500.00	\$690,540.00	89
KCC	\$4,751,741.70	\$917,475.00	\$47,050.00	\$96,363.30	\$235,250.00	\$3,455,603.40	637
NICC-1	\$3,012,549.45	\$587,925.00	\$30,150.00	\$81,087.00	\$301,500.00	\$2,011,887.45	364
NICC-2	\$2,160,662.00	\$418,275.00	\$21,450.00	\$56,615.00	\$214,500.00	\$1,449,822.00	326
NCC	\$1,381,474.80	\$269,100.00	\$13,800.00	\$33,865.00	\$147,698.80	\$917,009.00	145
WITCC	\$535,000.00	\$104,325.00	\$5,350.00	\$18,449.75	\$51,367.75	\$355,507.50	50
<b>Total</b>	<b>\$37,603,974.11</b>	<b>\$7,291,050.00</b>	<b>\$373,900.00</b>	<b>\$735,154.74</b>	<b>\$2,586,848.51</b>	<b>\$26,608,482.85</b>	<b>4232</b>

## Open Training Agreements

Iowa Code 260E.2 (15) defines a 260E project as “a training arrangement, which is the subject of an agreement entered into between a community college and an Iowa business to provide program services.” Agreements currently open, participating businesses and pledged new jobs are shown in the table below. (Table 8) The figures reflect agreements entered into between FY 2009 and FY 2019.

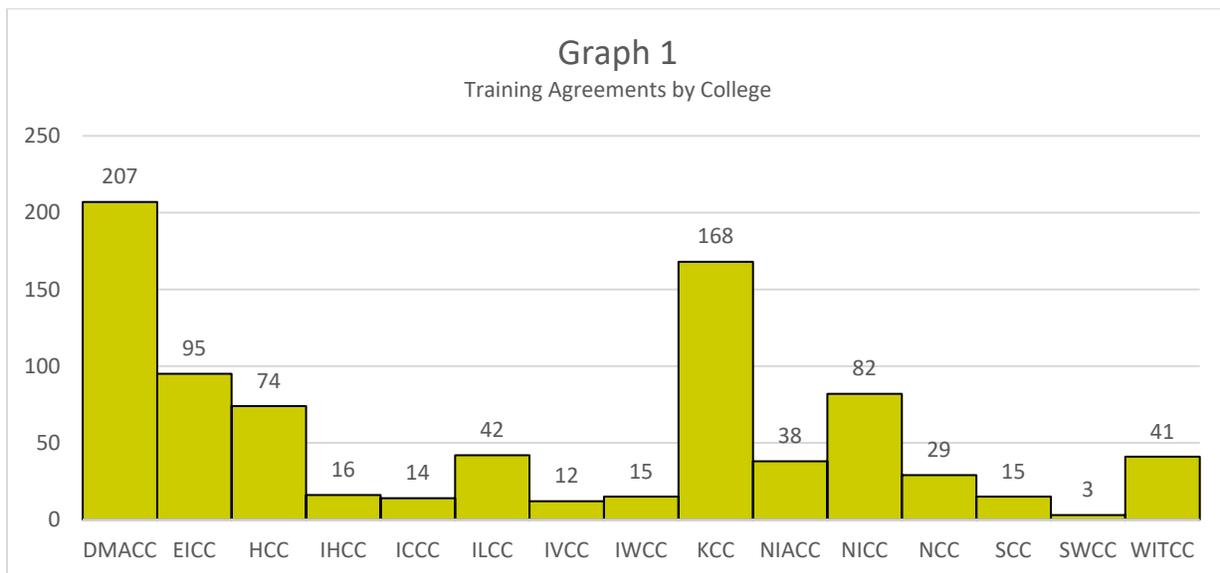
### Agreement Tables

**Table 8**  
260E Total Open Agreements  
Fiscal Years 2010-2019

Number of Open Training Agreements	Number of Participating Businesses	Number of Pledged New Jobs
851	551	41,606

The number of open agreements managed by each community college is set out below. (Graph 1)

**Graph 1**  
260E Training Agreements by College  
2018



Training covered by an agreement is normally completed within a few years of the execution of the agreement. Agreements typically remain open until withholding payments sufficient to cover the principal and interest of the bond certificate have been received. Withholding may continue through the 10-year life of a certificate or until the certificate is paid in full. Section 2.4 of a 260E training agreement provides:

*The term of this agreement shall not exceed ten (10) years and shall coincide with the period of time over which the Certificates mature and the Project Costs are deferred; provided however, that this Agreement, and the repayment obligations of the employer shall not terminate until the Certificates have been paid in full.*

Generally, individual agreements within a bond issuance can be paid off within seven years. However, although the participating businesses' payment obligations have been satisfied and training completed, some colleges don't close out agreements until the entire 10-year period of the bond issuance has concluded. Once sufficient tax withholding payments to cover the principal and interest on agreements are received by the college, additional withholding diversions should be discontinued or deposited into the general fund pursuant to Iowa Code 260E.5 (2), which provides "When the principal and interest on the certificates (the multiple agreements within a bond issuance) have been paid, the employer credits shall cease and any money received after the certificates have been paid shall be remitted to the treasurer of state to be deposited into the general fund of the state."

## Business Retention

The 260E program is a key incentive for retention of existing Iowa industries and assisting new businesses that locate in Iowa. Of the current portfolio of open agreements, 88.8% are for expansions of existing industry and 11.2% for new startups. (Table 9)

**Table 9**  
Open Training Agreements  
Expansions and Startups

Community College	Open Agreements	Businesses	Certificate Amount	Training Fund Amount	Expansions	Start ups	Pledged New Jobs
DMACC	207	137	\$64,560,000.00	\$50,681,474.00	193	14	8159
EICC	95	69	\$45,400,000.00	\$30,658,000.00	84	10	5395
HCC	74	51	\$25,480,000.00	\$17,356,309.60	65	9	2950
IHCC	16	13	\$6,655,000.00	\$4,477,635.50	10	6	709
ICCC	14	11	\$14,090,000.00	\$9,748,241.69	14	0	1468
ILCC	42	26	\$12,010,000.00	\$8,106,212.70	40	2	1468
IVCC	12	12	\$7,810,000.00	\$5,294,551.00	9	3	1517
IWCC	15	12	\$7,852,000.00	\$5,416,519.51	12	3	1067
KCC	168	95	\$46,150,000.00	\$34,300,289.64	156	12	6446
NIACC	38	26	\$14,900,000.00	\$9,975,878.96	29	9	1938
NICC	82	53	\$37,123,506.12	\$25,637,218.26	71	11	4066
NCC	29	25	\$9,465,000.00	\$6,341,234.19	24	5	1208
SCC	15	12	\$11,818,390.30	\$8,030,098.00	13	2	1109
SWCC	3	3	\$1,735,000.00	\$1,175,091.84	0	3	216
WITCC	41	27	\$26,740,000.00	\$18,210,783.50	35	5	3525
<b>Total</b>	<b>851</b>	<b>551</b>	<b>\$331,788,896.42</b>	<b>\$235,409,538.39</b>	<b>756</b>	<b>95</b>	<b>41606</b>

## Annual Reporting by Community Colleges

Community colleges are required to annually report to IEDA how 260E training funds have been spent.<sup>21</sup> When entering a new training agreement into the 260E data system, a college sets its projection of how training funds will be spent by filling in a budgeted expenditure column. Categories for the budgeted column are based on training expenses<sup>22</sup> authorized pursuant to Iowa Code and administrative rules.

<sup>21</sup>261 Iowa Administrative Code 5.9.

<sup>22</sup> Iowa Code section 260E.2 (14).

Amounts entered in the “budgeted” column are projections. These costs become more firmly defined when the final agreement (contract) is executed, expansion or location activities initiated, and new jobs training implemented. Once training commences, the college is responsible for entering actual expenditures as they incur in the “actual” budget column of the annual report.

As part of the annual reporting of budgeted and actual expenditures, a college is required to identify whether training dollars were spent for OJT and the provider of formal training. The descriptions of these categories as reflected in the 260E Data System Manual:

- **OJT Training Expenses:** Dollar amount for total training funds budgeted for OJT under the agreement. This amount is limited to up to 50% of the annual gross wages for a period up to one year for each newly created job covered by the agreement and up to 50% of the total available training funds available for the project. “Annual Gross Wages” includes gross wages, salaries and benefits for the new jobs.
- **Community College:** Dollar amount of training funds budgeted through training provided by the community college.
- **Contracted:** Dollar amount of training funds budgeted through training provided by a contractor.
- **Employer:** Dollar amount of training funds budgeted through training provided by the employer.

How community colleges apply these descriptions for entering the provider of training and OJT expenses information varies among the community colleges, depending primarily on how a college’s information system collects and classifies information. For example, some colleges that assist a business with “customizing” training for the new 260E jobs, e.g., securing a vendor or contractor, categorize it as training delivered by the college and, therefore, record this expense in the community college field. Other colleges input this type of expenditure into the contracted field. Thus, contracted expenditures may include training arranged by the college, the employer or both. These differences in how the community colleges categorize and input budgeted provider expense are important to consider when reviewing Table 10 below. Table 11 shows budgeted and actual OJT. The source of information for Tables 10 and 11 is budgeted and actual data entered by the colleges in the 2019 Annual Reporting section for all open agreements, including agreements issued in 2019 for which no expenses have yet accrued. In addition to the 2019 contracts that have not yet accrued expenses, there are many contracts for 2018 and prior years that have not spent the total budgeted training dollars, i.e., training has not been conducted or completed.

**Table 10**  
Community College Annual Reporting  
Training by Provider

	Budgeted Community College	Actual Community College	Budgeted Contractor	Actual Contractor	Budgeted Employer	Actual Employer
DMACC	\$4,311,265.00	\$1,756,904.57	\$2,727,115.50	\$0.00	\$30,308,263.00	\$16,426,302.18
EICC	\$8,145,308.00	\$3,666,384.58	\$2,949,250.00	\$3,610,190.47	\$4,463,942.00	\$3,217,048.33
HCC	\$1,543,062.11	\$479,176.52	\$5,017,729.79	\$938,204.62	\$2,117,386.70	\$157,735.57
IHCC	\$275,120.00	\$256,462.30	\$663,811.50	\$373,752.70	\$1,719,144.00	\$533,207.44
ICCC	\$2,267,131.33	\$563,589.30	\$291,512.82	\$0.00	\$2,562,726.71	\$1,408,109.87
ILCC	\$971,519.76	\$299,550.96	\$1,311,630.71	\$1,285,829.97	\$4,452,709.15	\$3,712,429.28
IVCC	\$746,714.60	\$153,337.80	\$1,900,560.90	\$1,336,225.17	\$0.00	\$0.00
IWCC	\$387,339.68	\$182,505.97	\$0.00	\$375,193.85	\$3,336,779.34	\$2,135,500.35
KCC	\$13,674,339.20	\$442,726.03	\$3,845,244.86	\$4,068,689.48	\$301,674.65	\$4,090,443.70
NIACC	\$3,046,259.73	\$998,363.19	\$1,072,430.09	\$1,389,794.59	\$930,539.55	\$524,524.13
NICC	\$7,489,912.45	\$1,948,714.84	\$5,942,359.34	\$2,339,323.79	\$7,236,626.23	\$11,308,829.13
NCC	\$2,145,009.19	\$154,183.73	\$671,367.00	\$995,044.35	\$354,288.00	\$11,681.01
SCC	\$723,410.50	\$166,410.00	\$3,315,063.77	\$268,296.30	\$683,578.23	\$433,605.79
SWCC	\$445,000.00	\$10,500.00	\$153,997.39	\$0.00	\$576,094.45	\$761,804.84
WITCC	\$5,744,932.07	\$2,089,119.68	\$986,609.17	\$1,512,741.42	\$2,647,233.02	\$520,195.80
<b>TOTAL</b>	<b>\$51,916,323.62</b>	<b>\$13,167,929.47</b>	<b>\$30,848,682.84</b>	<b>\$18,493,286.71</b>	<b>\$61,690,985.03</b>	<b>\$45,241,417.42</b>

**Table 11**  
On-The-Job-Training

	Budgeted OJT	Actual OJT
DMACC	\$13,334,830.50	\$8,030,161.23
EICC	\$15,099,500.00	\$9,914,463.89
HCC	\$8,678,131.00	\$5,360,868.65
IHCC	\$1,819,560.00	\$1,043,918.71
ICCC	\$4,626,870.83	\$1,188,853.23
ILCC	\$1,786,915.58	\$3,110,737.04
IVCC	\$2,647,275.50	\$1,973,032.88
IWCC	\$2,041,636.49	\$1,076,798.68
KCC	\$16,654,892.40	\$11,187,229.69
NIACC	\$4,734,828.59	\$3,847,229.11
NICC	\$10,183,156.49	\$1,736,534.32
NCC	\$3,170,570.00	\$1,938,523.27
SCC	\$3,308,045.50	\$1,819,658.23
SWCC	\$0.00	\$41,529.75
WITCC	\$8,832,009.24	\$7,501,247.82
<b>TOTAL</b>	<b>\$96,918,222.12</b>	<b>\$59,770,786.50</b>

## Training Agreements - Defaults

A default on a 260E training agreement occurs when a business does not pay back, in part or in whole, its withholding payment to a community college. Colleges are directed by statute to promptly notify IEDA when a default is identified.<sup>23</sup> Conditions for default are defined in each college’s training agreements. When placed in default, the IDR will not allow a business to claim the 260E withholding tax credit. The colleges work with businesses in default to develop a schedule for paying back withholding due. Once the default has been remedied and entries completed in the 260E data system, the business can claim withholding tax credits.

Community colleges have identified and reported 30 defaults by participating businesses during FY 2019. The total amount for these reported defaults is \$5,651,216.23. The 10 community colleges reporting defaults include: DMACC, EICC, HCC, ICC, IVCC, IWCC, KCC, NIACC, NICC, NCC and WITCC. Colleges not reporting defaults include IHCC, ILCC, SCC and SWCC.

Based on data entered in the 260E system, it appears some businesses are out of compliance with their 260E withholding payment and reporting requirements. However, the colleges that have 260E contracts with the businesses have yet to place them in default.

## “New Jobs” Wages

Code section 260E.2 (10) defines a new job as “a job in a new or expanding industry, but does not include jobs of recalled workers, replacement workers or other jobs that formerly existed in the industry in the state of Iowa.” Community colleges are required to annually report on the number of employees in new jobs where training was provided and the median wage of new jobs for each training project.<sup>24</sup>

Colleges enter the following detail on new jobs into the 260E database:

- Total number of pledged jobs
- New jobs hired to date
- Current jobs (new jobs created within the past fiscal year)
- Beginning average hourly wages
- Ending average hourly wages
- Annual average wage increases or decreases

For Fiscal Years 2018 and 2019, the average wage information associated with new jobs for open training agreements is shown below. (Table 12)

**Table 12**  
260E Average Wage

Fiscal Year	Beginning Average Hourly Wage	Ending Hourly Wage	Annual Average Wage Increase
2018	\$20.49	\$25.82	\$5.33
2019	\$21.00	\$25.39	\$4.39

<sup>23</sup> 261 Iowa Administrative Code 5.10(3).

<sup>24</sup> 261 Iowa Administrative Code 5.9.

## 260E Withholding Tax Diversion - Reconciling Payments Made to Community Colleges with Tax Credits Claimed by Businesses

Diversion of employer tax withholding is the primary repayment source for paying off 260E bond certificates. Businesses are required to submit withholding quarterly returns to IDR by the last day of the month following the end of the tax quarter. A business or its authorized provider, a third-party payroll vendor, normally submits returns electronically to IDR’s E-File and Pay system.<sup>25</sup> The system provides a confirmation page to the filer that reports all withholding tax credits claimed on the return. Returns submitted to IDR are confidential tax information and IEDA cannot release returns unless the taxpayer provides authorization.

Some payroll vendors are more efficient than others at providing E-File and Pay confirmation pages to the colleges. Failure by a third-party vendor to provide information in a timely manner impairs the ability of a college to reconcile withholding tax credits claimed by the business with the payments received by the college. This is problematic because colleges are required to enter and reconcile claims into the 260E data system within 30 days after a business files a claim. Calendar year due dates for withholding, filing and data entry are shown in the following table. (Table 13)

**Table 13**  
260E Withholding  
Filing and Entry Due Dates

Tax Quarter	Claim due to E-File & Pay	Entered in 260E
<b>Withholding: 1st Quarter ending March 31</b>	April 30	May 31
<b>Withholding: 2nd Quarter ending June 30</b>	July 31	August 31
<b>Withholding: 3rd Quarter ending September 30</b>	October 31	November 30
<b>Withholding: 4th Quarter ending December 31</b>	January 31	February 28

Colleges are required to enter information into the 260E centralized database for the purpose of reconciling a withholding payment made by a business to the college to the tax credit claimed. This data includes:

- Identification number of the training agreement
- Tax period year
- Tax period quarter
- Date payment received by the college
- Covered employees and payroll
- Amount of tax credit claimed for base
- Amount of tax credit claimed for supplemental
- Net accumulative withholdings

IEDA and the community colleges work together to support consistent withholding reconciliation. IEDA provides monthly status reports from the 260E system to the colleges to reflect the status of tax reconciliation for each open agreement for a college. IEDA technical assistance is also available. Despite such efforts, the lack of timeliness by some third-party payroll vendors poses a significant barrier.

<sup>25</sup> [https://efilepay.idr.iowa.gov/iao\\_aaa/welcome.asp](https://efilepay.idr.iowa.gov/iao_aaa/welcome.asp)

## Iowa Jobs Training – 260F

### Background

The Iowa Jobs Training Program became effective July 1985 with authorizing legislation outlined in Chapter 260F of the Iowa Code. The program is commonly referred to as “260F.” Iowa Code 260F.7 directs the IEDA to adopt, amend or repeal administrative rules pursuant to Iowa Code Chapter 17A, The Iowa Administrative Procedure Act. Community colleges are to implement 260F in adherence with 261 Iowa Administrative Code Chapter 7. IEDA administers 260F on behalf of the State of Iowa. Each of Iowa’s 15 community colleges implements and manages 260F within its merged areas.

### Summary

The 260F program is a business incentive program that assists Iowa-based businesses to train, develop and upscale skills of its existing workforces to remain competitive. To be eligible for 260F assistance, a business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing or assembling products, conducting research and development or providing services in intrastate commerce. Retail, health and professional services businesses are not eligible, nor are businesses that substantially reduce operations in one area of the state to relocate substantially the same operations to another area of Iowa, and businesses that are involved in a strike, lockout or other labor dispute in Iowa.

### Sources of 260F Funds

Iowa Code Section 260F.6 establishes a job training fund under the control of IEDA in the Workforce Development Fund. The fund consists of monies appropriated by the General Assembly for 260F and carryover, if any, as described below. For Fiscal Years 2018 and 2019, the legislature appropriated \$3 million per year to the fund. The distribution formula established by administrative rule directs that IEDA allocate appropriated funds to 260F program components based on a percentage amount, unless otherwise specified by the General Assembly.<sup>26</sup> All appropriated 260F funds are allocated to the 15 community colleges based on Iowa’s General Aid Formula (GAF).

### 260F Balances Carry Forward

IEDA carries forward un-utilized monies allocated to the colleges into the next fiscal year 260F funds, as well as for approved training projects not yet implemented. Colleges work with businesses to develop training plans. However, needs may change over the course of a fiscal year and a training agreement may not be implemented.

Iowa Code Section 260F.8 provides that any funds set aside for a community college not used or committed by May 1 of the fiscal year become available for IEDA to provide financial assistance to other colleges. Colleges must apply for the unused or uncommitted funds by May 1. If the funds are not exhausted after the May 1 application, any remaining monies are carried forward into the following fiscal year. Amounts outlined under “Training Funds Awarded” column for a fiscal year in the tables below include both the fiscal year allocation and the carry forward balances.

### Application Process

Community colleges enter into training agreements with Iowa businesses to provide training for a business’s existing workforce.<sup>27</sup> A college applies to IEDA on behalf of the business. The earliest date that 260F program funds

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<sup>26</sup> 261 Iowa Administrative Code 7.4.

<sup>27</sup> Iowa Code section 260F.2 (11).

may be used to pay incurred training expenses is either: (1) the effective date of the signed agreement of intent, or (2) the date on which the application is received at IEDA, whichever is first.

## Review Process

IEDA reviews applications submitted by community colleges and scores them using criteria prescribed by administrative rule.<sup>28</sup> A college is required to enter a training contract with the business within 90 days of IEDA notice of approval of the application. A college may apply to IEDA for an advance of funds to pay program costs as provided in the training agreement.<sup>29</sup> Participating businesses are required to provide a performance report on training outcomes within 90 days of project completion.

## Training Agreement

A community college may enter into a training agreement with an eligible business to establish a training project for providing program services.<sup>30</sup> A training plan can be no longer than two years in length. A business can request an extension up to one additional year. At a minimum, the agreement must include:

- Date of the agreement
- Anticipated number of employees to be trained
- Estimated cost of training
- Anticipated dates training will begin and conclude
- Any other criteria established by IEDA

## Program Services under 260F

Eligible expenses include:

- Training employees
- Adult basic education and job-related instruction
- Vocational and skill-assessment services and testing
- Training facilities, equipment, materials and supplies
- Administrative expenses
- Subcontracted services with institutions governed by the board of regents, private colleges, or universities or other federal, state or local agencies

## Community College Administrative Fee for 260F Administration

Community colleges may take a portion of program funding as administrative fees for managing 260F.<sup>31</sup> 260F fees are not to exceed the indirect rate charged by a community college for 260E administration. Effective July 1, 2015, the start of Fiscal Year 2016, the 260F fee is 15% of the project cost.

## Iowa Jobs Training Funds Awarded

Funds may be used for two types of training projects: (1) a singular business or (2) a consortium of businesses located in the same merged area with a shared training need. The business must provide a match equivalent to 25% for that total cost of the project for an award of \$5,000 or more. The maximum award amount for an

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<sup>28</sup> 261 Iowa Administrative Code 7.21.

<sup>29</sup> Iowa Code section 260F.6 (2).

<sup>30</sup> Iowa Code section 260F.2.11.

<sup>31</sup> 261 Iowa Administrative Code 7.9(1)

individual training project is \$50,000, not to exceed a total of \$100,000 within a three-year period. (Tables 14 and 15) The maximum award for a consortium project is \$100,000 per project. (Tables 16 and 17) A summary of award amounts is shown below. (Table 14) The total amount awarded includes \$3 million appropriated by the legislature plus the carryforward, if any, from the prior fiscal year, as described above.

### Table 14 general

Iowa Jobs Training Program  
Individual Business Awards

Fiscal Year	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
2019	180	5,455	2,743	\$2,988,394
2018	165	4,914	1,904	\$2,928,448

### Table 15

Individual Business Awards  
Fiscal Year 2019

Community College	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
DMACC	23	526	213	\$502,001
EICC	13	297	30	\$256,230
HCC	11	390	-	\$202,302
IHCC	10	243	5	\$218,702
ICCC	9	156	-	\$177,944
ILCC	4	449	-	\$138,996
IVCC	8	267	22	\$133,217
IWCC	15	203	109	\$156,457
KCC	32	1607	1,499	\$468,073
NIACC	9	227	255	\$173,804
NICC	22	567	460	\$148,010
NCC	5	81	44	\$65,927
SCC	8	118	72	\$126,383
SWCC	2	33	34	\$58,090
WITCC	8	291	-	\$162,258
<b>Total</b>	<b>180</b>	<b>5,455</b>	<b>2,743</b>	<b>\$2,988,394</b>

Figures for “Employees Completing Training” reflect the number of employees for each community college completing training in Fiscal Year 2019. Training for several projects is ongoing. A “-” in this column indicates the completion date for training will occur during Fiscal Year 2020 or 2021. As noted above, funds are allocated to the 15 community colleges based on Iowa’s GAF.

**Table 16**  
Consortium Awards

Fiscal Year	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
2019	3	76	102	\$99,772
2018	3	66	40	\$92,154

**Table 17**  
Consortium Awards  
Fiscal Year 2019

Community College	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
KCC	3	76	102	\$99,772
<b>Total</b>	<b>3</b>	<b>76</b>	<b>102</b>	<b>\$99,772</b>

# Accelerated Career Education Program Act – 260G

## Background

The Accelerated Career Education (ACE) Program became effective July 1999 with authorizing legislation found in Chapter 260G of the Iowa Code. The program is commonly referred to as “260G.” Iowa Code 260G directs the IEDA to adopt, amend or repeal administrative rules pursuant to Iowa Code Chapter 17A, the Administrative Procedure Act. The rules IEDA adopted can be found at 261 Iowa Administrative Code Chapter 20. IEDA administers 260G on behalf of the State of Iowa. Each of Iowa’s 15 community colleges implements and manages 260G within its merged area.

## Summary

The intent of 260G is to help develop a workforce pool of individuals skilled in occupations most needed by Iowa businesses. It assists Iowa community colleges in expanding current training programs or establishing new programs for these occupations. To participate in 260G, a business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing, or assembling products; construction; conducting research and development; or providing services in interstate or intrastate commerce. Retail, health and professional service businesses are not eligible.

## Program Agreements

A community college enters into a program agreement with a business to establish or expand a 260G training program. Program costs may be paid from any of the following:

- Program job credits based on the number of positions the business agrees to sponsor under the agreement
- Cash or in-kind contributions made by the business towards the program cost (at a minimum, a business must match 20% of the program costs)
- Tuition, student fees or special charges fixed by the college’s board of directors
- Guarantee of payments by the business

An application must outline the following:

- Required match and the type and amount of funding sources that will cover program costs
- Description of program services and an implementation schedule
- The process the college used to work with employers and data to determine the market need for the occupations supported by the agreement with each business

The agreement between the community college and the business includes reasonable and necessary provisions to implement the training program, including, but not limited to, the above information and a provision that the term of the agreement shall not exceed a period of five years.

## Program Costs

All necessary and incidental costs of providing program services pursuant to an agreement are eligible 260G program costs and may include:<sup>32</sup>

- Program needs and development
- Job task analysis
- Curriculum development and revision
- Instruction
- Instruction materials and supplies
- Computer software and update grades
- Instructional support
- Administrative and student services
- Related school-to-career training services and testing
- Contracted services

## Job Credits from Withholdings

A primary payment source for 260G program costs is job credits. The amount of credits is determined in the following manner:

- Business agrees to sponsor a certain number of positions in the training program and enters into an agreement with the college
- Business's eligibility for job credits is based on the number of sponsored positions and the gross wages of these positions, as certified by the business in the agreement
- Job credit is then based upon the hiring wage the business would pay to an individual who completes the training program's requirements.<sup>33</sup> The business may claim up to 10% of the hiring wage as a credit.

Instead of paying all Iowa withholding tax due to the State of Iowa, the business diverts a portion of this amount to the community college. The diverted portion is equal to the approved 260G job credit amount, and the business pays that amount to the community college on a quarterly basis. These payments are used to offset 260G program costs. Upon paying a college, a business may claim the same amount as a tax credit, effectively reducing its Iowa withholding tax obligation. By law, a business must pay a college before claiming a credit and it must certify to the IDR that the credit claimed is in accordance with the program agreement.<sup>34</sup> Payments made by a business to the college are to cease once program costs have been paid. Thereafter, any funds received by a college must be remitted to the State of Iowa. IEDA communicates with IDR regarding the total amount of job credits each business can claim each year.

## Statewide Funding Allotment

Iowa Code establishes the total amount of program job credits that may be allocated statewide in any one fiscal year. The total allocated amount is not to exceed \$5.4 million.<sup>35</sup> IEDA is directed to allot the total amount of statewide job credits to Iowa's 15 community colleges. The allotted amount of job credits available to each community college is based on the State GAF.<sup>36</sup>

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<sup>32</sup> Iowa Code section 260G.2 (15).

<sup>33</sup> The minimum wage that a credit may be based on is 200% of the federal poverty guideline for a family of two

<sup>34</sup> Iowa Code section 260G.4A (2).

<sup>35</sup> Iowa Code section 260G.4B.

<sup>36</sup> 261 Iowa Administrative Code 20.14(1).

## Funding Cycle - Awarding Job Credits

### April 1

IEDA maintains an annual record of the proposed use of job credits by each college. Community colleges are required to submit its anticipated program agreements to IEDA by April 1. Submission of a program agreement or a letter of intent proving the college will enter into an agreement by May 1, reserves the college's fiscal year job allotment and indicates how a college plans to use all or a portion of its allotment. For example, to retain its job credit allotment for Fiscal Year 2019, which commenced on July 1, 2018, a college was required to submit its program agreements or a letter of intent to IEDA by April 1, 2019.

### May 1

Any job credit allotment agreements not submitted to IEDA as of May 1 are available for proportional re-allotment. Community colleges with signed program agreements that do not have sufficient job credits are eligible for re-allotment by IEDA on a first-come, first-served basis. Some community colleges do not use its allotted job credits. Colleges not currently using the allotments include: EICC, IHCC, IWCC, NICC, SCC and SWCC. Colleges with 260G agreements in place with Iowa businesses for Fiscal Year 2019 are supporting more than 1,440 sponsored positions.

Tables 18 and 19 show the number of credits, positions sponsored and businesses participating in 260G for Fiscal Years 2018 and 2019:

**Table 18**  
260G Job Credits  
Fiscal Year 2018

Community College	Awarded Job Credits	Businesses Participating	Sponsored Positions
Des Moines Area Community College (DMACC)	\$3,179,848.00	48	849
Western Iowa Tech (WITCC)	\$400,080.00	7	116
Northwest Iowa Community College (NCC)	\$308,540.90	25	99
Kirkwood Community College	\$272,292.00	8	114
Iowa Central Community Colleges (ICCC)	\$404,641.00	14	112
Iowa Lakes Community College (ILCC)	\$296,974.00	11	76
North Iowa Community College (NIACC)	\$190,480.00	4	47
Hawkeye Community College (HCC)	\$218,024.00	8	32
Iowa Valley Community College (IVCC)	\$22,500.00	2	8

**Table 19**  
**260G Job Credits**  
**Fiscal Year 2019**

Community College	Awarded Job Credits	Businesses Participating	Sponsored Positions
Des Moines Area Community College (DMACC)	\$3,242,144.00	47	833
Western Iowa Tech (WITCC)	\$323,280.00	5	98
Northwest Iowa Community College (NCC)	\$320,528.00	25	99
Kirkwood Community College	\$272,292.00	8	114
Iowa Central Community Colleges (ICCC)	\$357,314.00	11	100
Iowa Lakes Community College (ILCC)	\$434,000.00	17	107
North Iowa Community College (NIACC)	\$194,800.00	4	50
Hawkeye Community College (HCC)	\$218,024.00	8	32
Iowa Valley Community College (IVCC)	\$31,536.00	2	8

# Iowa Apprenticeship Training Program – 15B

## Background

The Iowa Legislature enacted the Iowa Apprenticeship Training Program Act in 2014, found in Chapter 15B of the Iowa Code. The program is commonly referred to as “15B.” IEDA administers 15B on behalf of the State of Iowa adopted administrative rules pursuant to Iowa Code Chapter 17A, the Administrative Procedure Act. The rules are available at 261 Iowa Administrative Code, Chapter 12.

## Summary

The purpose of 15B is to increase the number of skilled registered apprentices in Iowa by providing training grants to eligible apprenticeship programs. IEDA administers the program in coordination with the United States Department of Labor (DOL) Office of Apprenticeship (OA). Employers that register with DOL/OA voluntarily choose to come under various state and federal requirements supporting high standards, instructional rigor and quality training. A worker who graduates from a Registered Apprenticeship program receives a national, industry-recognized, portable credential that provides a guarantee to employers that the graduate is fully qualified to do the job. An apprenticeship program registered with U.S. DOL/OA is referred to as a “sponsor.” Both union and non-union programs are sponsors. A “lead sponsor” is an organization representing a group of Registered Apprenticeship sponsors. Only sponsors or lead sponsors may apply for a 15B training grant.

## Employer Driven Model

An employer driven model, Registered Apprenticeship combines on-the-job training with related classroom instruction to increase the apprentice’s skill level and wages. A flexible training strategy, Registered Apprenticeships can be customized to meet the needs of every business and integrated into current training and development. Registered Apprenticeships provide benefits to both workers and employers. Employers create a pipeline of workers trained to meet the specific needs of its industries and worksites, which can lead to increased productivity and a stronger bottom line. Registered Apprenticeship training is an “earn while you learn” model in that an apprentice receives a paycheck, while learning on the job and in the classroom, freeing him or her from the difficult choice of pursuing additional education or providing for him/herself or his/her family in the short term.

Iowa currently has more than 764 Registered Apprenticeship programs in advanced manufacturing, energy, health care, hospitality, construction, transportation, information technology and other fields, and the number of Registered Apprenticeships in Iowa is rising. 102 new programs were registered in Federal Fiscal Year (FFY) 2019, which ended September 30, 2019. Included in that number are 10 new Registered Apprenticeship Programs at high schools located in Clear Lake, Clinton, Eldridge, Davenport, Jefferson, Muscatine, Nevada, West Delaware, West Des Moines and Winterset. Because apprenticeships are directly linked to private-sector demand, workers are prepared with in-demand skills that can lead to significant increases in lifetime earnings. Per the DOL, the post-apprenticeship employment rate is more than 87%, and the average starting salary in Iowa for apprentices after finishing Registered Apprenticeship programs is \$60,820 per year. Over a career, someone who has gone through a Registered Apprenticeship program earns an estimated \$300,000 more in salary and benefits than someone who did not.

## Registered Apprenticeship Credentials

Registered Apprenticeship provides credentials equivalent to a two- or four-year degree. Administered by DOL and the U.S. Department of Education, the Registered Apprenticeship-College Consortium (RACC) is a national network composed of employers, labor management groups and associations that have registered programs, and two- and four- year postsecondary institutions. RACC members agree to accept the college credit value of the Registered

Apprenticeship completion certificate. Persons who complete Registered Apprenticeship programs can attend and complete postsecondary degrees at member colleges. Currently all 15 of Iowa's community colleges are members of RACC.

## Funding

An apprenticeship training fund is created as a revolving fund in the State Treasury under the control of the IEDA.<sup>37</sup> \$3 million per year has been appropriated for the fund for each fiscal year since the program was enacted. No more than 2% of the moneys may be used for administration. Training grant funds may only be used towards the cost of conducting and maintaining a Registered Apprenticeship training program.

## 15B Allocation Formula

Iowa Code section 15B.4 establishes a statutory formula to allocate training grants to eligible Registered Apprenticeship programs. Each sponsor or lead sponsor applying for a training grant must submit its total number of Registered Apprentices and in person Related Technical Instruction (RTI) hours for the most recent training year.<sup>38</sup> Only individuals who are residents of the state of Iowa are "Registered Apprentices" for the purpose of calculating each sponsor's or lead sponsor's allocation. The total number of Registered Apprentices and in person RTI hours determines the amount of "contact hours" credited to an applicant. The amount allocated for a training grant is then based on a sponsor's or lead sponsor's proportionate share of the statewide total of contact hours.

## Program Timelines

Apprenticeship programs may submit applications for training grants January 1 through February 1. Two time periods are used in the 15B program:

1. Funding is appropriated to the 15B program by state *fiscal year*, which runs July 1 to June 30.
2. The relevant period for allocating funding to applicants is *calendar year*.

Using the 15B online application, in January of each fiscal year, each applicant submits the total number of Registered Apprentices and in person RTI hours of the Registered Apprentice program during the most "recent training year." This is defined as the *calendar year* prior to the date of the application, or January 1 to December 31.

The following example of a fictional Registered Apprenticeship program known as "Central Iowa High School" will help illustrate the program timelines for the current funding cycle of Fiscal Year 2019:

- Funding is appropriated for Fiscal Year 2019.
- Between January 1 and February 1, 2019, Central Iowa High School submits a 15B funding application outlining the total number of apprentices and in person RTI hours for the registered apprenticeship program for the most recent training year, which is January 1, 2018 to December 31, 2018.
- IEDA calculates Central Iowa High School's allocation based on information submitted by all applicants for 15B awards and, usually by the end of April, IEDA issues a Notice of Intent to Award to the business setting out the amount of its allocation.

## Fiscal Year 2019 Application Cycle

During Fiscal Year 2019, a total of \$2.94 million was allocated to 63 eligible sponsors and lead sponsors representing 5,904 Registered Apprentices (Table 20) and 502 Registered Apprenticeship programs. Combined,

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<sup>37</sup> Iowa Code section 15B.3 (1).

<sup>38</sup> 261 Iowa Administrative Code 12.3 defines "training year" as the most recent calendar year.

these applicants represent more than 2.49 million contact hours. Grant recipients include employers from “mom and pop” businesses with as few as two apprentices, to the largest registered apprenticeship program in the state with more than 1,000 apprentices employed throughout Iowa. Occupations represented in the program include, but are not limited to, plumbers, pipefitters, electricians, cement masons, plasterers and painters, sheet metal workers, machinists, welders and fabricators, pharmacist technicians, certified nursing assistants, child care specialists, winemakers, cooks (restaurant and hotel), brewers and IT.

**Table 20**  
15B Awards  
Fiscal Year 2019

Grant Recipients	Contact Hours	Registered Apprentices	Funds Awarded
63	2,495,570	5,904	\$2,940,000.00

**Table 21**  
15B Awards  
Fiscal Year 2018

Grant Recipients	Contact Hours	Registered Apprentices	Funds Awarded
63	2,457,362	5,806	\$2,940,000.00

# Future Ready Iowa Registered Apprenticeship Development Fund – 15C

## Background

Governor Kim Reynolds asked the Iowa Legislature to pass the Future Ready Iowa (FRI) Act in her Condition of the State Address in January 2018. FRI is Governor Reynolds' plan to train Iowans for the jobs of today and tomorrow. The bill passed both the Iowa House and the Iowa Senate with unanimous, bipartisan support in March of 2018.<sup>39</sup> Authorizing legislation for the Future Ready Iowa Registered Apprenticeship Development Fund is found in Chapter 15C.1 of the Iowa Code and is referred to as "15C." IEDA administers 15C on behalf of the State of Iowa and was directed to adopt administrative rules, found at 261 Iowa Administrative Code, Chapter 13.

## Summary

The purpose of 15C is to support the FRI goal that 70% of Iowa's workforce has education or training beyond high school by 2025. The legislation provides for grants to be awarded to small to mid-sized Registered Apprenticeship "sponsors" establishing a Registered Apprenticeship program in a high-demand occupation. IEDA administers the program in coordination with the DOL/OA.

To be eligible to apply for an award, sponsors must have fewer than 20 apprentices as of the end of the calendar year prior to the application window. Each sponsor must have created a new Registered Apprenticeship occupation in a high-demand field or added a high-demand occupation to an existing Registered Apprenticeship program in the calendar year prior to the application window. High Demand occupations are determined by the workforce development board or community college in consultation with IEDA and are posted publicly on IEDA's website. Of the Registered Apprentices in each sponsor's program, at least 70% must be residents of Iowa and those who are not Iowa residents must be residents of states contiguous to Iowa. In determining a sponsor's number of apprentices that are Iowa residents, the Authority may calculate the average number of apprentices in the program within the most recent two-year period.

## Funding

\$1 million per year has been appropriated to the fund. No more than 2% of the monies may be used for administrative purposes. Training grant funds may only be used towards the cost of conducting and maintaining a Registered Apprenticeship training program. Grants are available up to \$25,000 per eligible high-demand occupation, based on need indicated in the grant application budget. Applicants may apply for more than one grant. However, no single entity may receive more than \$50,000 in a fiscal year.<sup>40</sup>

## 15C Allocations

Pursuant to Iowa Code section 15C.4, the Authority adopted rules to establish the process for staff review, scoring criteria, application approval process, the minimum score necessary for approval of financial assistance, procedures for notification of the award, terms of agreement between the Authority and the awardee, and any other rules deemed necessary for program implementation. Awards are not based on the number of apprentices in a program, but rather, the overall budget submitted by each applicant, less any other funding received from other sources to support the Registered Apprenticeship program.

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<sup>39</sup> House File 2458: <https://www.legis.iowa.gov/docs/publications/LGE/87/HF2458.pdf>

<sup>40</sup> 261 IAC 13.3

To be granted an award, a sponsor must receive a minimum score of 65 out of a possible 100 points and meet all other eligibility specified in the rules. Applicants are scored based on the budget and costs detailed in the application as applicable to industry standards, specific details regarding how financial assistance will be provided, an indication of local support from other area stakeholders, and sources of additional funding. Higher scores are awarded if additional sources of funding are from private entities, if the funding is repayable, and if the amount of internal funding is more than 50% of funding needed to establish an occupation approved for apprenticeship by the United States Department of Labor, Bureau of Apprenticeship and Training. Each applicant must also certify it has not violated state or federal statutes regarding worker safety and that the apprentices identified in the application worked in Iowa in the prior calendar year. All final funding decisions are made by the IEDA director.

### Program Timelines

The application window for Registered Apprenticeship program training grants is January 1 through February 1. Two annual time periods are used in the 15C program:

1. Funding is appropriated to the 15C program by state *fiscal year*, which runs July 1 to June 30.
2. The relevant period for allocating funding to applicants is *calendar year*.

Using the 15C online application, in January of each fiscal year, each applicant submits information relevant to the grant application for the calendar year prior to the date of the application.

Per Administrative Code, IEDA may open additional application windows throughout the year. The same eligibility criteria, as outlined above, are applicable, regardless of the application window utilized.

### Fiscal Year 2019 Application Cycle

During Fiscal Year 2019, the initial grant window was January 1 – February 1. The number of grants and the total amount awarded are shown in Table 22. Because not all funds were awarded, IEDA opened an additional application window during the period May 1 – May 15. The number of grants awarded through the additional application window, and the total amount awarded are shown in Table 23. The aggregate amount allocated through the two application rounds was \$430,230.99, which was allocated to 30 eligible programs represented by 26 unique Registered Apprenticeship programs. Grant recipients included two high schools that recently started Registered Apprenticeship programs and rural employers with as few as one apprentice. Occupations represented in the programs included electricians, HVAC technicians, carpenters, CNC machinists, farm equipment mechanics, welders, plumbers, and tool and die makers.

**Table 22**

15B Awards

Fiscal Year 2019 – Initial Application Window

Grants Awarded	Businesses Participating	Funds Awarded
19	16	\$267,391.15

**Table 23**

15B Awards

Fiscal Year 2019 – Second Application Window

Grants Awarded	Businesses Participating	Funds Awarded
11	10	\$162,839.84

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