

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:

- Industrial New Jobs Training Act – 260E
- Iowa Jobs Training Act – 260F
- Accelerated Career Education Program Act – 260G
- Apprenticeship Training Act – 15B
- Future Ready Iowa Apprenticeship Development Program – 15C
- Future Ready Iowa Expanded Registered Apprenticeship Opportunities 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.

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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.

## 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:

- Transcript and reimbursement data system maintained by each college
- 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>

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 IEDA relies upon to prepare this report is the centralized IEDA 260E data system, 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 2020 and 2021 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.

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<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.

<sup>4</sup> Fiscal Years 2020 and 2021 bond certificate sales per date of the Official Statements.

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 approximately \$39.7 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.

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
- 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**

- 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.”

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<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.

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

- 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 2021 colleges awarded \$870,880,611 in new jobs withholding credits. (Table 1)
- 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 2021<sup>9</sup>. The most recent incremental property tax repayment, \$26,839, was made in Fiscal Year 2018.
- 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.
- 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.

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

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

The credit equals 6% of the taxable wages, which the employer is required to contribute to the State unemployment compensation fund (\$1,944 per job created in 2021), 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 \$32,408,809 from Fiscal Year 2007 to Fiscal Year 2021. (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 2021**<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	\$857,712	\$43,854,598
FY 2008	\$59,050,000	\$47,507,655	\$2,733,028	\$50,240,683
FY 2009	\$48,925,000	\$47,189,017	\$4,394,203	\$51,583,220
FY 2010	\$32,065,000	\$47,526,601	\$3,082,845	\$50,609,446
FY 2011	\$40,755,000	\$45,892,441	\$2,355,410	\$48,247,851
FY 2012	\$48,500,000	\$48,660,167	\$2,618,155	\$51,278,322
FY 2013	\$35,655,727	\$43,882,005	\$3,323,532	\$47,205,537
FY 2014	\$38,667,132	\$42,810,396	\$2,017,321	\$44,827,717
FY 2015	\$39,860,995	\$42,659,294	\$1,616,505	\$44,275,799
FY 2016	\$40,285,007	\$39,329,976	\$2,210,974	\$41,540,950
FY 2017	\$38,167,000	\$38,851,304	\$2,438,356	\$41,289,660
FY 2018	\$44,600,000	\$37,758,320	\$1,529,522	\$39,287,842
FY 2019	\$37,985,000	\$37,049,636	\$1,410,053	\$38,459,689
FY 2020	\$27,495,000	\$39,826,917	\$1,172,586	\$40,999,503
FY 2021	\$58,000,000	\$39,759,072	\$648,607	\$40,407,679
<b>TOTALS</b>	<b>\$870,880,611</b>	<b>\$671,628,336</b>	<b>\$32,408,809</b>	<b>\$674,108,496</b>

<sup>10</sup> Data provided by the Iowa Department of Revenue. 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).

## **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
- 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 stating 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 stating 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 stating that payment requirements of the participating business to the college are liens upon the business's property until paid in full

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

## 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.

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

- General administration expenditures of the colleges (reported as function five)<sup>16</sup>
- General institution expenditures of the colleges (reported as function nine)<sup>17</sup>
- 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

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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).

<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 that 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.”

until December, IDE uses data from two fiscal years prior to calculate the indirect rate. For example, FY 2020 financial data is used to calculate the rate for FY 2022. (Table 2)

**Table 2**  
**260E Indirect Cost Rate Calculation**  
**Fiscal Years 2012 through 2022<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
2019	\$35,407,889	\$89,768,077	\$575,290,984	21.76%	2021
2020	\$37,542,265	\$91,138,280	\$577,525,317	22.28%	2022

### 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 capping 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>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%
2021	21.76%	19.5%
2022	22.28%	19.5%

### **Bond Certificate Sales**

Community colleges sold 23 bond certificates during Fiscal Years 2020 and 2021. Bond sales provided a total of \$85,495,000.00 in certificate proceeds allocated as follows:

- Training Funds - \$60,633,968.27
- Community College Fees – \$16,671,525.00
- State Fee - \$854,950.00
- Direct Bond Issuance Fees - \$1,533,989.22
- Reserve Fund – \$6,499,173.86

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

These issuances are financing 142 training agreements with 132 participating businesses<sup>20</sup> pledging 7,906 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 2020 and 2021**

Fiscal Year	Bond Amount (Par Amount)	Reserves	Training Fund	College Fee	State Fee	Direct Bond Issuance Fees	Pledged New Jobs
2020	\$27,495,000.00	\$1,803,607.67	\$19,588,902.73	\$5,361,525.00	\$274,950.00	\$519,910.15	3,087
2021	\$58,000,000.00	\$4,645,566.19	\$41,045,065.54	\$11,310,000.00	\$580,000.00	\$1,014,079.07	4,819
<b>Total</b>	<b>\$85,495,000.00</b>	<b>\$6,449,173.86</b>	<b>\$60,633,968.27</b>	<b>\$16,671,525.00</b>	<b>\$854,950.00</b>	<b>\$1,533,989.22</b>	<b>7,906</b>

**Table 5**  
**Proceeds, Businesses and Agreements**  
**Fiscal Years 2020 and 2021**

Fiscal Year	Bond Amount (Par Amount)	Training Agreements	Pledged New Jobs
2020	\$27,495,000.00	68	3,087
2021	\$58,000,000.00	74	4,819

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 2020, 11 colleges had bond sales. Eastern Iowa (EICC), Iowa Central (ICCC), Northeast Iowa (NICC) and Northwest Iowa (NCC) sold none. In 2021, 10 colleges had bond sales. Iowa Central (ICCC), Iowa Valley (IVCC), Iowa Western (IWCC), North Iowa Area (NIACC) and Southeastern (SWCC) sold none, while KCC and NICC sold two.

Information concerning Fiscal Years 2020 and 2021 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)

<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.

- 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 2020. Due to the COVID-19 pandemic, bond sales were at historically low levels.

**Table 6**  
**260E Bond Certificate Issuances**  
**Fiscal Year 2020**

FY 2020 Bond Issuance	Bond Amount (Par Amount)	Community College Fee	State Administrative Fee	Direct Issuance Costs	Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
<b>DMACC</b>	\$10,720,000.00	\$2,090,400.00	\$107,200.00	\$150,446.00	\$167,880.00	\$8,204,074.00	974
<b>HCC</b>	\$1,200,000.00	\$234,000.00	\$12,000.00	\$23,965.00	\$127,235.00	\$802,800.00	71
<b>IHCC</b>	\$2,175,000.00	\$424,125.00	\$21,750.00	\$37,090.00	\$238,171.45	\$1,445,287.50	234
<b>ILCC</b>	\$1,310,000.00	\$255,450.00	\$13,100.00	\$26,395.00	\$131,000.00	\$877,505.00	162
<b>IVCC</b>	\$4,790,000.00	\$934,050.00	\$47,900.00	\$64,985.00	\$562,848.30	\$3,182,955.00	843
<b>IWCC</b>	\$555,000.00	\$108,225.00	\$5,500.00	\$25,018.00	\$55,500.00	\$355,195.85	110
<b>KCC</b>	\$3,630,000.00	\$707,850.00	\$36,300.00	\$100,497.86	\$181,500.00	\$2,673,787.44	378
<b>NIACC</b>	\$705,000.00	\$137,475.00	\$7,050.00	\$31,300.29	\$80,846.77	\$448,327.94	67
<b>SCC</b>	\$200,000.00	\$39,000.00	\$2,000.00	\$14,628.00	\$21,331.15	\$124,900.00	39
<b>SWCC</b>	\$1,180,000.00	\$230,100.00	\$11,800.00	\$23,305.00	\$127,735.00	\$787,060.00	129
<b>WITCC</b>	\$1,030,000.00	\$200,850.00	\$10,300.00	\$22,280.00	\$109,560.00	\$687,010.00	80
<b>TOTAL</b>	<b>\$27,495,000.00</b>	<b>\$5,361,525.00</b>	<b>\$274,950.00</b>	<b>\$519,910.15</b>	<b>\$1,803,607.67</b>	<b>\$19,588,902.73</b>	<b>3087</b>

The following table shows bond certificates issued in Fiscal Year 2021.

**Table 7**  
**260E Bond Certificate Issuances**  
**Fiscal Year 2021**

FY 2021 Bond Issuance	Bond Amount (Par Amount)	Community College Fee	State Administrative Fee	Other Issuance Costs	Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
DMACC	\$7,500,000.00	\$1,462,500.00	\$75,000.00	\$147,662.00	\$157,043.15	\$7,500,000.00	600
EICC	\$5,465,000.00	\$1,065,675.00	\$54,650.00	\$75,102.80	\$664,967.30	\$5,465,000.00	620
HCC	\$9,725,000.00	\$1,896,375.00	\$97,250.00	\$124,608.75	\$1,067,881.05	\$9,725,000.00	876
IHCC	\$795,000.00	\$155,025.00	\$7,950.00	\$17,981.78	\$81,790.72	\$795,000.00	87
ILCC	\$795,000.00	\$155,025.00	\$7,950.00	\$24,247.50	\$79,500.00	\$795,000.00	134
KCC-1	\$2,630,000.00	\$512,850.00	\$26,300.00	\$65,689.00	\$142,128.45	\$2,630,000.00	666
KCC-2	\$16,245,000.00	\$3,167,775.00	\$162,450.00	\$287,945.10	\$877,352.90	\$16,245,000.00	240
NICC-1	\$2,755,000.00	\$537,225.00	\$27,550.00	\$68,012.75	\$275,500.00	\$2,755,000.00	300
NICC-2	\$4,685,000.00	\$913,575.00	\$46,850.00	\$80,429.24	\$470,133.77	\$4,685,000.00	379
NCC	\$1,735,000.00	\$338,325.00	\$17,350.00	\$28,842.50	\$187,163.50	\$1,735,000.00	119
SCC	\$1,495,000.00	\$291,525.00	\$14,950.00	\$30,813.15	\$201,762.35	\$1,495,000.00	108
WITCC	\$4,175,000.00	\$814,125.00	\$41,750.00	\$62,744.50	\$440,343.00	\$4,175,000.00	690
<b>TOTAL</b>	<b>\$58,000,000.00</b>	<b>\$11,310,000.00</b>	<b>\$580,000.00</b>	<b>\$1,014,079.07</b>	<b>\$4,645,566.19</b>	<b>\$41,045,065.54</b>	<b>4,819</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 2012 and FY 2021.

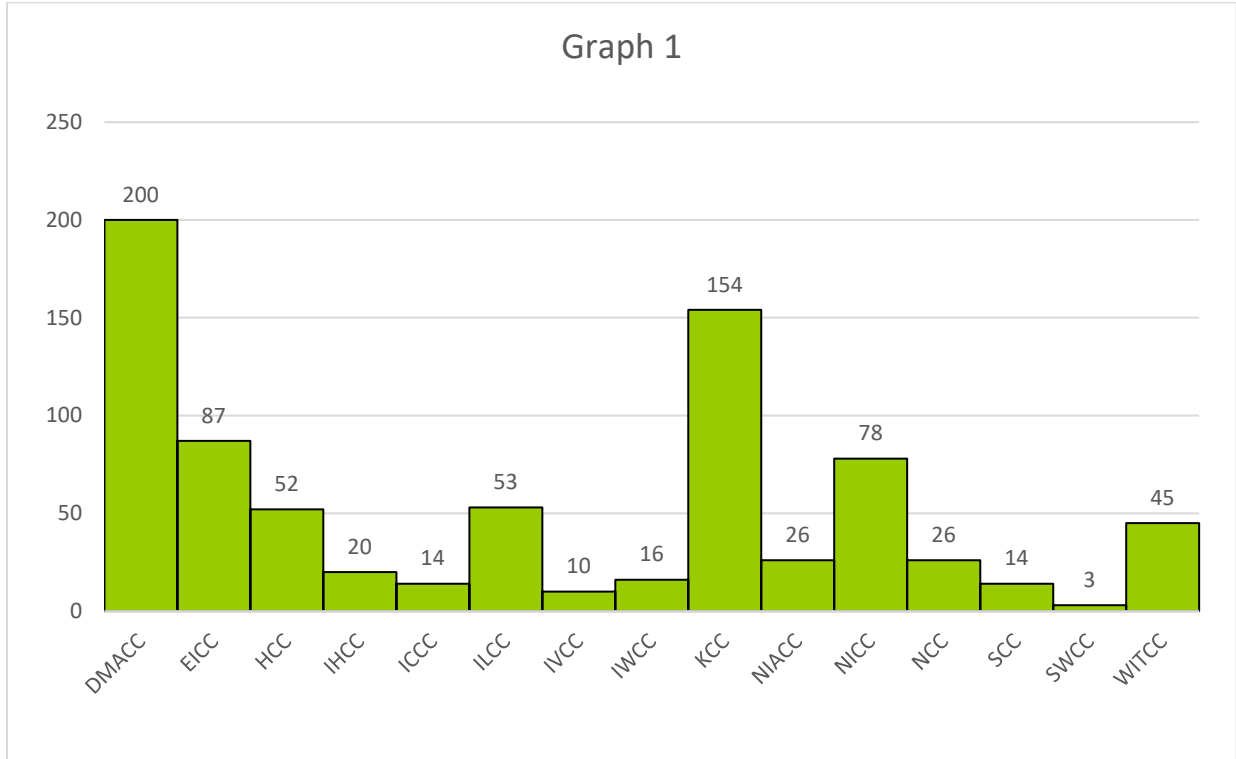
## Agreement Tables

**Table 8**  
**260E Total Open Agreements**  
**Fiscal Years 2012-2021**

Open Training Agreements	Participating Businesses	Pledged New Jobs
<b>798</b>	<b>520</b>	<b>40,604</b>

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

**Graph 1**  
**260E Training Agreements by College**  
**2021**



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, most colleges do not 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, 88.6% are for expansions of existing industry and 11.4% for new startups. (Table 9)

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

Community College	Open Agreements	Businesses	Certificate Amount	Training Fund Amount	Expansions	Startups	Pledged New Jobs
DMACC	200	136	\$66,655,000.00	\$51,825,799.00	183	17	7,656
EICC	87	66	\$48,820,000.00	32,963,000.00	77	10	5,656
HCC	52	37	\$29,705,000.00	\$20,212,662.10	46	6	2,955
IHCC	20	18	\$8,255,000.00	\$5,522,477.50	12	8	851
ICCC	14	11	\$14,090,000.00	\$9,748,241.69	14	0	1,833
ILCC	53	27	\$12,815,000.00	8,655,159.31	48	5	1,606
IVCC	10	10	\$10,820,000.00	\$7,299,680.00	10	0	1,845
IWCC	16	13	\$7,057,000.00	\$4,851,277.51	12	4	1,079
KCC	154	89	\$55,430,000.00	\$40,947,650.88	144	10	6,173
NIACC	26	19	\$9,685,000.00	\$6,472,651.29	21	5	1,150
NICC	78	53	\$31,070,048.74	\$21,252,910.93	66	12	3,485
NCC	26	21	\$8,210,000.00	\$5,517,321.00	23	3	853
SCC	14	12	\$11,833,390.30	\$8,009,561.00	12	2	1,038
SWCC	3	3	\$1,180,000.00	\$787,060.00	2	1	129
WITCC	45	29	\$31,945,000.00	\$21,713,831.00	37	8	4,295
<b>Total</b>	<b>798</b>	<b>520</b>	<b>\$347,570,439.04</b>	<b>\$245,779,263.21</b>	<b>707</b>	<b>91</b>	<b>40,604</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 2021 Annual Reporting section for all open agreements, including agreements issued in 2021 for which no expenses have yet accrued. In addition to the 2021 contracts that have not yet accrued expenses, there are many contracts for 2020 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	\$4,435,853.00	\$1,741,033.71	\$2,727,115.50	\$0.00	\$30,146,784.50	\$17,726,923.49
EICC	\$7,455,808.00	\$3,815,898.93	\$2,949,250.00	\$4,850,095.17	\$4,463,942.00	\$3,149,419.85
HCC	\$1,834,935.61	\$466,633.64	\$5,399,440.29	\$1,129,476.43	\$2,963,013.20	\$119,916.18
IHCC	\$670,195.75	\$384,367.74	\$663,811.50	\$686,041.66	\$1,846,505.50	\$421,225.59
ICCC	\$2,267,131.33	\$920,584.45	\$291,512.82	\$0.00	\$2,562,726.71	\$1,256,677.34
ILCC	\$1,311,655.73	\$307,739.85	\$1,654,016.44	\$1,413,666.73	\$3,169,436.81	\$1,515,626.47
IVCC	\$687,838.10	\$0.00	\$1,674,718.90	\$0.00	\$1,263,276.50	\$56,389.70
IWCC	\$394,548.68	\$57,424.49	\$0.00	\$241,662.13	\$1,989,692.34	\$1,211,988.28
KCC	\$8,820,881.35	\$365,415.03	\$8,688,483.31	\$3,995,212.88	\$3,645,249.52	\$3,741,146.16
NIACC	\$1,850,410.84	\$962,636.90	\$693,823.14	\$837,765.05	\$821,194.00	\$589,125.41
NICC	\$4,772,419.12	\$2,165,631.46	\$4,497,835.05	\$2,301,405.71	\$5,073,993.24	\$2,319,198.81
NCC	\$1,237,171.00	\$95,911.58	\$1,001,590.00	\$728,312.09	\$410,945.00	\$3,638.96
SCC	\$578,410.50	\$103,116.50	\$3,760,335.50	\$1,542,307.91	\$373,038.00	\$550,214.11
SWCC	\$107,500.00	\$0.00	\$390,560.00	\$22,225.33	\$210,000.00	\$55,930.08
WITCC	\$6,388,779.47	\$2,432,972.29	\$2,129,316.92	\$2,298,059.51	\$2,647,233.02	\$631,722.66
<b>TOTAL</b>	<b>\$42,813,538.48</b>	<b>\$13,819,366.57</b>	<b>\$36,521,809.37</b>	<b>\$20,046,230.60</b>	<b>\$61,587,030.34</b>	<b>\$33,349,143.09</b>

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

	Budgeted OJT	Actual OJT
DMACC	\$14,516,026.00	\$8,331,353.61
EICC	\$14,410,000.00	\$11,456,597.89
HCC	\$10,197,361.00	\$5,245,735.83
IHCC	\$2,341,964.75	\$1,184,984.92
ICCC	\$4,626,870.83	\$1,888,239.79
ILCC	\$2,564,771.94	\$2,771,608.49
IVCC	\$3,625,833.50	\$0.00
IWCC	\$1,741,187.49	\$564,952.89
KCC	\$20,700,959.00	\$11,165,029.95
NIACC	\$3,107,223.31	\$2,857,927.94
NICC	\$6,908,663.52	\$1,462,259.30
NCC	\$2,649,702.00	\$1,625,035.18
SCC	\$3,297,777.00	\$1,413,969.50
SCC	\$79,000.00	\$23,472.00
WITCC	\$10,548,501.59	\$8,044,235.83
<b>TOTAL</b>	<b>\$101,315,841.93</b>	<b>\$58,035,403.12</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 16 defaults by participating businesses during FY 2021. The total certificate amount for these reported defaults is \$3,260,409.66. The 10 community colleges reporting defaults include: DMACC, EICC, IHCC, ICC, IVCC, IWCC, KCC, NIACC, NICC and WITCC. Colleges not reporting defaults include HCC, ILCC, NCC, 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

Iowa 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 2020 and 2021, the average wage information associated with new jobs for open training agreements is shown below. (Table 12)

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

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

**Table 12**  
**260E Average Wage**

Fiscal Year	Beginning Average Hourly Wage	Ending Hourly Wage	Annual Average Wage Increase
2020	\$21.59	\$26.70	\$5.11
2021	\$22.36	\$27.54	\$5.18

**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
Withholding: 1st Quarter ending March 31	April 30	May 31
Withholding: 2nd Quarter ending June 30	July 31	August 31
Withholding: 3rd Quarter ending September 30	October 31	November 30
Withholding: 4th Quarter ending December 31	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

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

- 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.

# Iowa Jobs Training - 260F

## Background

The Iowa Jobs Training Program became effective July 1985 with authorizing legislation outlined in Chapter 260F, 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 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 funding for 260F (and 15B) originates in the 260E Program’s withholding tax credits. Iowa Code 15.342A (Workforce development fund account), as well as Iowa Admin Code 701-46.6, details how the 260E withholding tax credit funds the workforce development fund account. The aggregate amount of the Workforce development fund is not to exceed \$6,000,000 per fiscal year. Of the \$6,000,000, three million is annually appropriated for the purposes of 15B, and three million is annually appropriated for the purposes of 260F.<sup>26</sup>

The distribution formula established by administrative rule directs IEDA to allocate appropriated funds to 260F program components based on a percentage amount, unless otherwise specified by the General Assembly.<sup>27</sup> All appropriated 260F funds are allocated to the 15 community colleges based on Iowa’s General Aid Formula (GAF).

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<sup>26</sup> Iowa Code, Section 15.342A

<sup>27</sup> 261 Iowa Administrative Code 7.4.

## 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 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” 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>28</sup> A college applies to IEDA on behalf of the business. The earliest date that 260F program funds 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>29</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>30</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>31</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

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<sup>28</sup> Iowa Code, Section 260F.2 (11).

<sup>29</sup> 261 Iowa Administrative Code 7.21.

<sup>30</sup> Iowa Code, Section 260F.6 (2).

<sup>31</sup> Iowa Code, Section 260F.2.11.

- 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>32</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 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.

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<sup>32</sup> 261 Iowa Administrative Code 7.9(1)

**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
2020	197	5,370	4,662	\$3,001,052
2021	229	4,919	2,239	\$3,156,131

**Table 15**  
Individual Business Awards  
Fiscal Year 2021

Community College	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
DMACC	21	481	91	\$475,695
EICC	18	655	492	\$286,902
HCC	12	525	-	\$209,961
IHCC	12	131	17	\$225,891
ICCC	10	254	-	\$203,905
ILCC	3	258	-	\$149,119
IVCC	8	266	8	\$132,860
IWCC	6	312	297	\$181,066
KCC	81	928	781	\$508,199
NIACC	10	107	69	\$145,037
NICC	23	444	421	\$147,905
NCC	3	66	41	\$69,894
SCC	11	181	22	\$148,729
SWCC	2	9	-	\$75,046
WITCC	9	302	-	195,922
<b>Total</b>	<b>229</b>	<b>4,919</b>	<b>2,239</b>	<b>\$3,156,131</b>

Figures for “Employees Completing Training” reflect the number of employees for each community college completing training in Fiscal Year 2021. Training for several projects is ongoing. A “-” in this column indicates the completion date for training will occur during Fiscal Year 2022 or 2023. 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
2020	8	82	79	\$112,617
2021	0	0	0	\$0

There were no Consortium applications submitted in FY2021.

# Accelerated Career Education Program Act – 260G

## Background

The Accelerated Career Education (ACE) Program became effective July 1999 with authorizing legislation found in Chapter 260G, 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 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 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>33</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>34</sup> The business may claim up to 10% of the hiring wage as a credit.

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<sup>33</sup> Iowa Code, Section 260G.2 (15).

<sup>34</sup> The minimum wage that a credit may be based on is 200% of the federal poverty guideline for a family of two

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>35</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>36</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>37</sup>

## **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 2021, which commenced on July 1, 2020, a college was required to submit its program agreements or a letter of intent to IEDA by April 1, 2021.

### **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 2021 are supporting 1,374 sponsored positions among 109 participating businesses.

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<sup>35</sup> Iowa Code, Section 260G.4A (2).

<sup>36</sup> Iowa Code, Section 260G.4B.

<sup>37</sup> 261 Iowa Administrative Code 20.14(1).

Tables 18 and 19 show the number of credits, positions sponsored and businesses participating in 260G for Fiscal Years 2020 and 2021:

**Table 18**  
**260G Job Credits**  
**Fiscal Year 2020**

Community College	Awarded Job Credits	Businesses Participating	Sponsored Positions
Des Moines Area Community College (DMACC)	\$3,227,616.00	49	852
Western Iowa Tech (WITCC)	\$323,280.00	5	88
Northwest Iowa Community College (NCC)	\$320,528.00	25	99
Kirkwood Community College	\$272,292.00	8	114
Iowa Central Community Colleges (ICCC)	\$310,326.00	14	125
Iowa Lakes Community College (ILCC)	\$434,000.00	17	107
North Iowa Community College (NIACC)	\$194,800.00	3	43
Hawkeye Community College (HCC)	\$224,938.00	9	46
Iowa Valley Community College (IVCC)	\$31,536.00	2	8

**Table 19**  
**260G Job Credits**  
**Fiscal Year 2021**

Community College	Awarded Job Credits	Businesses Participating	Sponsored Positions
Des Moines Area Community College (DMACC)	\$3,226,021.00	46	830
Western Iowa Tech (WITCC)	\$212,684.00	5	48
Northwest Iowa Community College (NCC)	\$321,036.00	18	72
Kirkwood Community College	\$279,492.00	10	116
Iowa Central Community Colleges (ICCC)	\$312,400.00	4	78
Iowa Lakes Community College (ILCC)	\$504,000.00	17	117
North Iowa Community College (NIACC)	\$255,484.00	3	58
Hawkeye Community College (HCC)	\$239,829.00	4	47
Iowa Valley Community College (IVCC)	\$33,280.00	2	8

# Iowa Apprenticeship Training Program – 15B

## Background

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

To streamline state agency efforts supporting Registered Apprenticeship on October 22, 2021, management of the 15B program transferred to Iowa Workforce Development (IWD). This transition includes the management of the annual application process, contracting and subsequent submission of documentation for award reimbursement.

## Summary

The purpose of 15B is to increase the number of skilled registered apprentices in Iowa by providing training grants to eligible apprenticeship programs. The program is administered 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 850 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. 181 new programs were registered in Federal Fiscal Year (FFY) 2021, which ended September 30, 2020. Iowa currently has 60 high schools in 22 school districts with students participating in Registered Apprenticeship Programs as of November 15, 2021. 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**

A Registered Apprenticeship training fund is created as a revolving fund in the State Treasury under the control of the IEDA.<sup>38</sup> \$3 million per year has been appropriated for the fund for each fiscal year since the program was enacted, and no more than 2% of the monies 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>39</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.

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<sup>38</sup> Iowa Code, Section 15B.3 (1).

<sup>39</sup> 261 Iowa Administrative Code 12.3 defines "training year" as the most recent calendar year.

## **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 2021:

- Funding is appropriated for Fiscal Year 2021.
- Between January 1 and February 1, 2021, 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, January 1, 2020, to December 31, 2020.
- 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 2021 Application Cycle**

During Fiscal Year 2021, a total of \$2.94 million was allocated to 75 eligible sponsors and lead sponsors representing 6,109 Registered Apprentices (Table 20) and 466 Registered Apprenticeship programs. Combined, these applicants represent nearly 2.51 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 specialists.

**Table 20**  
15B Awards  
Fiscal Year 2020

Grant Recipients	Contact Hours	Registered Apprentices	Funds Awarded
75	2,509,427	6,109	\$2,940,000.00

**Table 21**  
15B Awards  
Fiscal Year 2019

Grant Recipients	Contact Hours	Registered Apprentices	Funds Awarded
65	2,520,005	5,841	\$2,940,000.00

# Future Ready Iowa Registered Apprenticeship Development Fund – 15C

## Background

The Iowa Legislature enacted the Future Ready Iowa Registered Apprenticeship Development Fund in 2018, found in Chapter 15B, Iowa Code. Authorizing legislation for the program is found in Chapter 15C.1, Iowa Code, and is referred to as “15C.” Since 2018 IEDA has administered 15C on behalf of the State of Iowa and was directed to adopt administrative rules, found at 261 Iowa Administrative Code, Chapter 13.

To streamline state agency efforts supporting Registered Apprenticeship, on October 22, 2021, management of the 15B program transferred to Iowa Workforce Development (IWD). This transition includes the management of the annual application process, contracting and subsequent submission of documentation for award reimbursement.

## 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. The program is administered 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, IEDA may calculate the average number of apprentices in the program within the most recent two-year period.

## Funding

\$760,000 per year is appropriated to the fund for FY 2022. 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>

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<sup>40</sup> 261 IAC 13.3



## 15C Allocations

Pursuant to Iowa Code, Section 15C.4, IEDA 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 IEDA 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.

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 2021 Application Cycle

During Fiscal Year 2021, the grant window was January 1 – February 1. The number of grants and the total amount awarded are shown in Table 22. Carryover funding from fiscal year 2020 was utilized to support requested funding. The total amount granted was \$1,204,299 which was allocated to 50 eligible programs represented by 45 unique Registered Apprenticeship programs. Grant recipients included four high schools with Registered Apprenticeship programs and rural employers with as few as one apprentice. Occupations represented in the programs included electricians, HVAC technicians, carpenters, automotive/diesel mechanics, welders, plumbers, registered nurses, dental assistants, maintenance mechanics, operating engineers and hydraulic repairers.

**Table 22**  
**15B Awards**  
**Fiscal Year 2020**

Grants Awarded	Businesses Participating	Funds Awarded
50	45	\$1,204,299

# Future Ready Iowa Expanded Registered Apprenticeship Opportunities Program – 15C+

In 2020, the Iowa Legislature enacted the Future Ready Iowa Expanded Registered Apprenticeship Opportunities Program, Chapter 15C.2, Iowa Code. The program is referred to as “15C+.”

## Summary

The purpose of 15C+ is to provide financial assistance to encourage sponsors of small to mid-sized apprenticeship programs to maintain apprenticeship programs in high-demand occupations. 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.

The program provides for grants to be awarded to Registered Apprenticeship “sponsors” that had fewer than 20 apprentices as of the end of the calendar year prior to the application window in Registered Apprenticeship programs in high-demand occupations. IEDA administers the program in coordination with the DOL/OA. Definitions for key terms mirror those set out in Section 15C.1.

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 IEDA may calculate the average number of apprentices in the program within the most recent two-year period. Grants of \$1,000 per apprentice in a sponsor’s Registered Apprenticeship program are available. The maximum amount that can be awarded to any Registered Apprenticeship sponsor is \$20,000 per year.

## Program Administration/Funding

Because the Legislature appropriated no funding for 15C+, IEDA did not award grants in Fiscal Year 2021.

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