

# ANNUAL WORKFORCE TRAINING PROGRAM REPORT



The Iowa Economic Development Authority (IEDA) is charged by the Iowa General Assembly with coordinating three workforce training programs that fuel growth and competitiveness in Iowa's business and industry by delivering customized training that supports a skilled workforce in Iowa. They include:

The image displays three horizontal banners for workforce training programs. The top banner is dark grey and features the text "260 (E) INDUSTRIAL NEW JOBS TRAINING PROGRAM" on the left, followed by six stylized human icons in various professional and industrial attire. The middle banner is light grey and features icons of a person with a cart, a robotic arm, and a gear on the left, followed by the text "IOWA JOBS TRAINING PROGRAM 260 (F)" on the right. The bottom banner is dark grey and features the text "260 (G) ACCELERATED CAREER EDUCATION TAX CREDIT PROGRAM" on the left, followed by a stylized microscope icon on the right.

IEDA is responsible for administering these programs on behalf of the state of Iowa by ensuring conformance with applicable statutory and administrative rule provisions, providing consistent guidance, requiring accountability and transparency in practices and a reasonable return on investment for Iowans. Iowa's 15 community colleges are responsible for implementing and managing these programs within their regionally defined areas. This report provides background information and recent activity of the programs.

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

## Annual Reporting Requirement

The Iowa Industrial New Jobs Training Program (NJTP) became effective July 1, 1983. Authorizing legislation is found in Chapter 260E of the Iowa Code. The program is commonly referred to as the “260E” program. Iowa Code 260E.7 directs IEDA to coordinate and review the 260E program and to adopt, amend or repeal administrative rules under Chapter 17A of the Iowa Administrative Code. Community colleges are to implement the 260E program adhering to administrative rules promulgated by IEDA. IEDA is also responsible for identifying information needed to effectively coordinate and review the program and for issuing a report on its effectiveness.

## 260E Program Information – Two Sources

Information essential to 260E administration, monitoring and evaluating program outcomes is maintained in two key databases:

- Centralized 260E database maintained by IEDA and
- Colleges’ Transcript and Reimbursement Data Systems

Both systems rely upon the direct input of data and updating of information by the community colleges and are subject to monitoring by IEDA. The centralized 260E data system is described in greater detail below. Each community college has established a Transcript and Reimbursement Data System to:

1. Confirm the eligibility of employees in 260E positions (“new jobs”) to participate in training funded through 260E
2. Provide non-credit transcripts to employees in 260E positions trained in both formal training settings and structured On-the-Job (OJT) training
3. Support and document submittals for reimbursement by participating 260E businesses for classroom training and OJT training expenses, in addition to the colleges’ review and approval for reimbursement

This report does not provide information from or about the individual Transcript and Reimbursement Systems managed by the colleges. This will be addressed in future reporting issued by IEDA.

## Data Input by Community Colleges to Centralized 260E Data System

This report uses data entered by each individual community college into the centralized electronic IEDA 260E data system. The 260E data system was developed by IEDA with substantial input and guidance from the community colleges to address reporting and monitoring deficiencies noted by the Auditor of State in a 2009 review of the 260E program.<sup>1</sup> Information and documents that the community colleges are required to enter, upload and maintain in the data system are based on 260E statutory requirements and administrative rules. These requirements are reflected in the 260E Data System User’s Manual.

This report will provide background on how the 260E program is funded through public debt financing, its functions and recent program activity. Information provided includes Fiscal Year 2013 and 2012 bond

---

<sup>1</sup> <http://publications.iowa.gov/7290/1/0860-8990-BOP1.pdf> (Auditor’s Review of the 260E program, Released May 19, 2009, Findings H through K, pages 47 – 51.)

certificate sales<sup>2</sup> and how these certificate debt proceeds were allocated. Data concerning the current training agreement portfolio held by the colleges and the reported “beginning” and “ending” average hourly wage for “new jobs” for this portfolio is reflected. Also covered is the status of efforts to reconcile Iowa income tax withholding payments – paid by participating 260E businesses to the colleges – to the corresponding amount claimed by participating businesses as a credit on their Iowa Withholding Tax Returns.

It is important to note that the recent activity information provided is a “snap-shot” look. The functions and operations of the 260E program are dynamic. For example, additional bond certificates have been issued, training agreements executed or other activities conducted since the time this report was prepared.

## Summary

The 260E program was established to provide assistance to Iowa businesses by sharing in the costs of training workers to fill the new jobs created by a business. To be eligible for 260E program 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. Excluded from 260E program participation are retail, health and professional services. A business that has substantially reduced its operation in one area of the state and relocates substantially the same operation in another area of Iowa, or a business which is involved in a strike, lockout or other labor dispute in Iowa is not eligible.

The community colleges enter into agreements<sup>3</sup> with eligible businesses to establish a single project or multiple projects to provide training to employees in new jobs created by the business. A final agreement executed between a community college and a business participating in the 260E program is a binding contract. To fund the costs of training programs, community colleges borrow money from investors in the form of bonds or “certificates.” Like other bonds, revenues are pledged to repay, with interest, the investors who purchase the certificates. In the 260E program, the certificates are repaid by capturing some of the state of Iowa tax dollars generated from new jobs payroll and diverting those dollars into special funds controlled by the community colleges to repay the bonds or certificates. Annually, community colleges go to the municipal securities market to sell on average \$45.1 million in bond certificates.<sup>4</sup> A “rule of thumb” for the dollar amount representative of the interest paid on the bonds is 10 - 15 percent of the par amount of the bonds issued.<sup>5</sup>

A 260E bond certificate issuance is described in the “Official Statement” (OS) that is prepared on behalf of the college. The OS is intended to disclose material information about the bond certificate issuance and its finances for the purpose of fully informing potential investors. Generally, an OS for a 260E bond certificate sale will list the businesses with which a community college has executed final agreements. The pledged new jobs anticipated to be created by the participating businesses and how certificate proceeds will be allocated among the businesses are also included (see Appendix A).

---

<sup>2</sup> Fiscal Years 2013 and 2012 bond certificate sales per date of the Official Statement.

<sup>3</sup> 261 IAC 5.3 “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>4</sup> Based on average total of “aggregate bond proceeds” of 260E certificate issuances over the past 10 years.

<sup>5</sup> Interest will vary based on credit rating and assumes bonds are taxable and structured to produce an annual debt payment that is roughly the same each year.

The community colleges use the proceeds from the 260E bond certificates they sell to do three primary things:

1. Reimburse the participating 260E businesses for the cost of training new workers
2. Help fund the "General Administration" and "General Institution" expense overhead of the community colleges
3. Defray the fees and expenses associated with issuing the certificate and administering the program at the state level

### **Bond Certificate Repayment**

Payments of principal and interest on money borrowed by the community college to pay the cost of new jobs training programs for a participating business (the training agreements) are payable by the community colleges from the sources identified in the agreements with the business. Payments made by the participating businesses to the community colleges in lieu of a portion of Iowa income withholding taxes generated from new jobs resulting from the businesses' projects are the primary repayment source. After paying the college, a business may then claim this amount as a credit, effectively reducing its Iowa withholding tax obligation. A business must first pay the college before claiming the credit.<sup>6</sup> Sources available for bond certificate repayment may be from any of the following, or a combination of them.

#### **Repayment sources:**

1. New jobs withholding credits ("base") - Rather than paying all the Iowa withholding tax to the state for wages associated with the "new jobs," the businesses pay to the community colleges an amount equal to 1.5 percent of the gross wages paid to the employees in the new jobs. These payments are considered 260E "base" diversion and are commonly referred to as "new jobs withholding credits."
2. New jobs withholding credits ("supplemental") - Payments of an additional 1.5 percent of gross wages from Iowa income withholding taxes associated with the new jobs resulting from the businesses' projects are authorized by Iowa Code 15A.7. This enables a qualifying business to divert the equivalent of three percent of the gross payroll of the qualified new jobs. To be eligible for "supplemental" diversion the participating business must meet certain wage criteria. Eligibility is based on a one-time determination of starting wages by the community college. A business may qualify in one of the following two ways by paying a wage that is:
  - a. 100 percent or more of the average hourly wage for the county or region in which the project is located, or,
  - b. Between 90 and 100 percent wage that is qualified as the enterprise zone hourly wage for the projects in a designated EZ.

If a participating business does not create new jobs, and as a result does not have the anticipated Iowa income tax withholding to divert to the college for payment, it may use withholding from its existing workforce to meet its payment obligation.<sup>7</sup> Withholding from other businesses whose 260E training was financed by the same certificate sale may also be used by a community college to make up the shortfall. \$546 million in "new jobs withholding credits" was awarded between Fiscal Year 2001 through Fiscal Year 2013 (see Table 1).

---

<sup>6</sup> IAC 261-5.6(1).

<sup>7</sup> Iowa Code section 260.5(2).

3. Incremental Property Tax - This amount includes any incremental property tax generated due to increases in valuation for the participating business' property where new jobs are created as a result of the project. The incremental increase is diverted as payment to the community college and forgone by the local government.

The Auditor of State reported in 2009 that \$69.1 million of incremental property tax had been foregone by local governments for payment to the community colleges since inception of the program but that the practices had decreased dramatically.<sup>8</sup> Estimated diversion for Fiscal Years 2009 to 2015 is just under \$400,000.<sup>9</sup>

4. Reserves - a portion of the bond certificate proceeds are set aside by community colleges for a "reserve" that may be used to make principal and interest payments on certificates in the initial year of the project before any revenue is received. These reserves are sometimes used as a payment source after revenue is received.
5. Other – Iowa Code 260E.3 authorizes that tuition, student fees, or special charges fixed by the community colleges' board of directors may be used to defray program costs in whole or in part. These sources are not frequently used.

### **Standby Property Tax Levy**

Iowa Code 260E.6(4) directs a community college's board of directors to further secure repayment specified in individual project agreements. This is accomplished by passing a resolution for a standby property tax levy upon all taxable property in the merged area. The standby property tax is used in the case of default only. The revenues from the standby property tax are to be deposited in a special fund and expended only for the payment of principal and interest for training certificates when the receipt of payment for program costs as provided in the individual agreements is not sufficient.

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

A business participating in the 260E program may be eligible to claim a one-time New Jobs Tax Credit. Iowa Code sections 422.11A and 422.33(6) authorize a participating business that has increased its base employment level by at least 10 percent, or in the case of a start-up, has added new jobs, to claim a New Jobs Tax Credit. The credit can be claimed against corporate income taxes or individual income taxes, in the case where the business is a pass-through entity, during the tax year selected by the business. The credit equals six percent of the taxable wages that the employer is required to contribute to the state unemployment compensation fund (\$1,560 per job created in 2013) times 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. \$24.7 million has been claimed from Fiscal Year 2007 to Fiscal Year 2013 (see Table 1).

---

<sup>8</sup> <http://publications.iowa.gov/7290/1/0860-8990-BOP1.pdf> (Auditor's Review of the 260E program, Released May 19, 2009 page 6).

<sup>9</sup> Data provided by Iowa Department of Management, estimated 260E TIF revenues based on current net year tax rates when calculated, includes only those 260E projects that generated revenue.

**Table 1**Iowa Industrial New Jobs Training Program (260E) Award and Claim Information;  
Iowa Department of Revenue, Tax Credits Contingent Liabilities Report, December 12, 2013<sup>10</sup>

Fiscal Year	Amount of 260E Credits Awarded	Payments Received by the Community Colleges	Amount of 260E and Supplemental Credit Claimed on Withholding Returns	Amount of 260E New Jobs Tax Credit Claims	Total 260E Claims
2001	\$38,567,500	n/a	n/a	n/a	n/a
2002	\$36,465,750	n/a	n/a	n/a	n/a
2003	\$26,705,000	n/a	n/a	n/a	n/a
2004	\$26,746,500	\$40,667,329	n/a	n/a	n/a
2005	\$51,445,000	\$42,218,828	n/a	n/a	n/a
2006	\$39,210,000	\$42,763,460	\$31,493,575	n/a	n/a
2007	\$60,760,000	\$46,110,828	\$43,678,031	\$4,422,643	\$48,100,674
2008	\$58,680,730	\$43,088,634	\$48,002,632	\$4,609,658	\$52,612,290
2009	\$48,925,000	\$52,783,363	\$47,116,003	\$4,510,290	\$51,626,293
2010	\$32,127,000	\$46,848,545	\$46,794,012	\$2,959,299	\$49,753,311
2011	\$40,755,000	\$49,581,137	\$45,877,619	\$2,311,438	\$48,189,057
2012	\$48,485,000	\$49,411,803	\$49,129,185	\$2,947,754	\$52,076,939
2013	\$37,100,727	\$39,766,087	\$41,479,714	\$2,941,175	\$44,420,889
2014 <sup>*11</sup>	\$0	\$0	\$8,013,669	\$153,875	\$8,167,544

## 260E Agreements

Iowa Code 260E.2 authorizes the community colleges to enter into agreements with eligible businesses to establish a single project or multiple projects that will provide training service. Iowa code and administrative rules establish program costs that may be incurred in providing program services, conditions the agreement must stipulate to, and information or document submittals to IEDA<sup>12</sup>. These are listed below.

### 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

<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> As of early December, 2013.

<sup>12</sup> Iowa Code section 260E.2, 260E.3 and 261 IAC 5.4.

## Agreement conditions

- Program costs that may be incurred and the minimum amounts of guaranteed revenue sources to be used to pay for these costs
- Program costs paid within 10 years from the date a project commences
- Length of time during which each new job category will be provided on-the-job training
- Completion date of all other training
- OJT not to exceed 50 percent of annual gross payroll costs of the new jobs created for up to one year of the new jobs
- Payment requirements of the participating business are liens upon the business's property until paid in full

## Submittals to IEDA

- A copy of the final agreement including pertinent training services and financial details
- Corresponding OS of the bond certificate financing the agreements
- Updates on agreements throughout the life of the agreements as specified by IEDA
- Procedures used by the college for ongoing review and project monitoring of the agreements
- Documentation of identified events of defaults<sup>13</sup>, remedies, and repayment policies

## IEDA Administrative Fee – 1%

Iowa Code 15.251 provides that IEDA may charge community colleges a fee of up to one percent of the gross sale amount of the certificates issued. The funds are to be used for 260E program administration, including legal and compliance functions. The Auditor reported that the Iowa Department of Economic Development (IDED), predecessor agency to IEDA, fulfilled only minimal 260E duties and did not use the available one percent fee to carry out their responsibilities and recommended the department use these funds to monitor the appropriateness of program activities by the colleges.<sup>14</sup> IEDA has since established the position of a 260E Compliance Monitoring Officer as one action taken to address this particular deficiency identified by the Auditor.

## Community College Fee – 18.51%

The 260E program training agreements provide for “program costs.”<sup>15</sup> By statute, “program costs” are “necessary and incidental costs of providing program services” of the 260E program.<sup>16</sup> The community colleges are not reimbursed for directly incurred costs, but rather, are paid at a rate established by Administrative Code.<sup>17</sup> The 260E indirect cost rate is based upon the colleges’ combined “General Administration” and “General Institution” expenditures as a percentage of the sum total of all expenditures by the colleges. The community colleges apply this rate against the aggregate certificate bond proceeds to recoup their “program costs.” IEDA and the Iowa Department of Education (IDE) determine the rate annually.

---

<sup>13</sup> 261 IAC 5.10(3).

<sup>14</sup> <http://publications.iowa.gov/7290/1/0860-8990-B0P1.pdf> (Auditor's Review of the 260E program, Released May 19, 2009 Finding B, page 42).

<sup>15</sup> Iowa Code section 260E.3(1).

<sup>16</sup> Iowa Code sections 260E.2(13) and 260E.2(14)(f).

<sup>17</sup> 261 IAC 5.4(7).

## Other Cost of Issuance and Fees – 2.1%

“Other Cost of Issuance and Fees” includes fees paid by the community colleges to financial advisors, bond counsel and underwriter, in addition to other expenses such as rating agency, bond insurance, trustee, printing, CUSIP and other costs directly related to preparing and issuing a 260E bond certificate for sale in municipal securities market. For the time periods reviewed, Fiscal Years 2012 and 2013, the “Other Cost of Issuance and Fees” represented 2.1% of the allocation of bond certificates proceeds. This figure will vary from year to year.

### Calculating Indirect Cost Rate

IDE calculates the indirect cost rate by:

1. Total the “General Administration” expenditures of the community colleges from the prior fiscal year. This is reported as “function five.”<sup>18</sup>
2. Total the “General Institution” expenditures of the community colleges from the prior fiscal year. This is reported as “function nine.”<sup>19</sup>
3. Total all expenditures of the community colleges from the prior fiscal year.
4. Add function “five” and “nine” together and then divide this sum into the total of all expenditures. This produces the “rate.”

The community colleges must have the indirect cost rate for the beginning of a fiscal year, which commences on July 1. IDE uses the most current fiscal year financial data available. Due to timing issues, fiscal data for the most recent preceding fiscal year is not received by IDE until December. As a result, fiscal year data used by IDE to calculate the administrative rate is two years out. For example, Fiscal Year 2012 financial data is utilized to calculate the Fiscal Year 2014 rate (see Table 2).

**Table 2**

260E Indirect Cost Rate Calculation - Fiscal Years 2011 through 2014<sup>20</sup>

Fiscal Year	Administrative Function 5	Administrative Function 9	Total Expenses	Cost Rate	Percentage
2009	\$28,870,168	\$60,371,148	\$482,165,640	2011 Cost Rate	18.51%
2010	\$33,879,257	\$68,319,825	\$504,179,540	2012 Cost Rate	20.27%
2011	\$32,846,251	\$69,600,224	\$529,112,811	2013 Cost Rate	19.36%
2012	\$35,131,272	\$69,475,026	\$541,290,829	2014 Cost Rate	19.33%

Under the administrative rules of the 260E program, the community colleges are allowed to deduct funds from the bond certificate proceeds for community college overhead at the annual indirect cost rate. Up through Fiscal Year 2011, the indirect cost rate was the same as the administrative fee “announced” by the community college presidents as approved for recouping 260E “program costs.” Beginning with Fiscal Year 2012, the presidents approved maintaining the 260E administrative fee at the Fiscal Year 2011 cost rate, or at 18.51 percent. “Function five” and “function nine” expenses have experienced an upward trend. As a result, the amount to be recouped for 260E “program costs” also increases (see Table 3).

<sup>18</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>19</sup> Iowa Uniform Accounting System for Community Colleges Manual, page 16, General Institution – “All other expenditures except those included in functions 1-8.”

<sup>20</sup> Data provided by the Iowa Department of Education.



**Table 3**  
260E Cost Rate and “Announced” - Fiscal Years 2001 to 2014<sup>21</sup>

Fiscal Year	Cost Rate	“Announced” Rate
2001	17.07%	Same
2002	17.55%	Same
2003	17.44%	Same
2004	17.42%	Same
2005	17.97%	Same
2006	19.21%	Same
2007	17.91%	Same
2008	18.04%	Same
2009	18.01%	Same
2010	18.53%	Same
2011	18.51%	Same
2012	20.27%	18.51%
2013	19.36%	18.51%
2014	19.33%	18.51%

### **Fiscal Year 2013 and 2012 - Bond Certificate Sales**

This part of the report reflects information about the community colleges’ Fiscal Year 2013 and 2012 bond certificate sales for the 260E program and how these proceeds were allocated. Information about the active training agreement portfolio managed by the colleges is covered. The status of efforts to reconcile Iowa income tax withholding payments – paid by participating 260E businesses to the community colleges – to the corresponding amount claimed by the businesses as a credit on their Iowa withholdings tax returns is also addressed.

Community colleges sold 21 bond certificates during Fiscal Years 2013 and 2012. This provided a total of \$85,613,007 in certificate proceeds that was allocated for:

- Training Fund - \$61,938,148.66 or 72.3%
- Reserves - \$5,623,546.14 or 6.6%
- Community College Fee - \$15,436,584.00 or 18%
- State Fee - \$852,950.00 or 1%
- Other Cost of Issuance Fees - \$1,761,778.78 or 2.1%

These issuances are financing 241 training agreements that involve 229 participating businesses<sup>22</sup> pledging 10,756 new jobs. A business may have more than one agreement with a community college or colleges (see Tables 4 and 5).

<sup>21</sup> Data provided by the Iowa Department of Education.

<sup>22</sup> A business may have more than one agreement with a community college or colleges. Community Colleges serve businesses located in their regionally defined areas.

**Table 4**  
260E Bond Certificate Issuance, Fiscal Year 2013 and 2012

Fiscal Year	Total Proceeds	Reserves	Training Fund	College Fee	State Fee	Other Issuance Costs	Pledged New Jobs
2013	45,432,843	2,976,984	32,748,208	8,361,136	452,150	894,363	5,468
2012	40,180,164	2,646,562	29,189,940	7,075,448	400,800	867,414	5,288
<b>Total</b>	<b>85,613,007</b>	<b>5,623,546</b>	<b>61,938,148</b>	<b>15,436,584</b>	<b>852,950</b>	<b>1,761,777</b>	<b>10,756</b>

**Table 5**  
Businesses, Agreements and Pledged Jobs, Fiscal Years 2013 and 2012

Fiscal Year	Total Certificate Proceeds	Participating businesses	Training Agreements	Pledged New Jobs
2013	\$45.43 million	122	130	5,468
2012	\$40.18 million	107	111	5,288

Not every community college will sell a 260E bond certificate during a fiscal year. Conversely, a community college may also complete more than one issuance in a year. For example, in Fiscal Year 2013, 10 of the 15 colleges sold certificates, and in Fiscal Year 2012, 11 of the community colleges participated. Bond certificate sales made by individual community colleges in Fiscal Years 2013 and 2012 are reflected below (see Tables 6 and 7).

**Table 6**  
260E Bond Certificate Issuances, Fiscal Year 2013

FY2013 Bonds Issued	Bond Proceeds (Total Sources)	Community College Fee	State Administrative Fee	Other Issuance Costs	Capitalized Interest Reserve Fund Amount	Training Fund Amount	New Jobs Pledged
DMACC 1	\$5,742,196.43	\$1,057,846.50	\$57,150.00	\$78,703.93	\$46,520.00	\$4,501,976.00	744
DMACC 2	\$7,100,004.17	\$1,295,700.00	\$70,000.00	\$83,024.17	\$85,353.00	\$5,565,927.00	793
EICC	\$5,544,409.68	\$1,019,901.00	\$55,100.00	\$194,347.30	\$560,061.38	\$3,715,000.00	576
HCC	\$2,358,287.23	\$437,761.50	\$23,650.00	\$59,507.23	\$236,500.00	\$1,600,868.50	202
ILCC	\$971,178.00	\$180,472.50	\$9,750.00	\$28,279.23	\$0.00	\$752,676.27	151
IWCC	\$1,592,400.00	\$288,000.00	\$16,000.00	\$33,280.20	\$80,000.00	\$1,175,119.80	285
KCC	\$5,338,085.75	\$982,881.00	\$53,100.00	\$73,742.39	\$265,500.00	\$3,962,862.36	910
NIACC	\$2,907,781.11	\$535,864.50	\$28,950.00	\$69,572.56	\$289,500.00	\$1,983,894.05	254
NICC 1	\$8,120,000.00	\$1,503,012.00	\$81,200.00	\$124,058.00	\$834,950.00	\$5,576,780.00	799
NICC 2	\$2,660,726.70	\$488,664.00	\$26,400.00	\$49,082.40	\$264,000.00	\$1,832,580.30	404
NCC	\$1,578,873.85	\$288,756.00	\$15,600.00	\$66,453.85	\$156,000.00	\$1,052,064.00	178
WITCC	\$1,518,900.00	\$282,277.50	\$15,250.00	\$34,312.50	\$158,600.00	\$1,028,460.00	172
<b>*23</b>	<b>\$45,432,842.92</b>	<b>\$8,361,136.50</b>	<b>\$452,150.00</b>	<b>\$894,363.76</b>	<b>\$2,976,984.38</b>	<b>\$32,748,208.28</b>	<b>5,468</b>

<sup>23</sup> Not all community colleges sold bond certificates in Fiscal Year 2013.

**Table 7**  
260E Bond Certificate Issuances, Fiscal Year 2012

FY 2012 Bond Issuance	Bond Proceeds (Total Sources)	Community College Fee	State Administrative Fee	Other Issuance Costs	Capitalized Interest Reserve Fund Amount	Training Fund Amount	New Jobs Pledged
<b>DMACC</b>	\$10,095,766.65	\$1,858,404.00	\$100,400.00	\$83,889.65	\$20,483.00	\$8,032,590.00	1037
<b>EICC</b>	\$7,179,797.26	\$1,319,763.00	\$71,300.00	\$249,768.00	\$730,966.26	\$4,808,000.00	619
<b>HCC 1</b>	\$2,502,699.40	\$465,526.50	\$25,150.00	\$64,407.90	\$251,500.00	\$1,696,115.00	413
<b>HCC 2</b>	\$1,848,507.50	\$0.00	\$18,550.00	\$23,396.71	\$0.00	\$1,806,560.29	331
<b>ICCC</b>	\$1,410,000.00	\$260,991.00	\$14,100.00	\$48,877.77	\$178,500.00	\$907,531.23	547
<b>IWCC</b>	\$1,623,912.18	\$301,713.00	\$16,300.00	\$33,740.78	\$163,000.00	\$1,109,158.40	130
<b>KCC</b>	\$5,593,069.10	\$1,029,156.00	\$55,600.00	\$91,880.17	\$278,000.00	\$4,138,432.93	718
<b>NIACC</b>	\$2,051,093.58	\$379,455.00	\$20,500.00	\$49,045.05	\$205,000.00	\$1,397,093.53	289
<b>NICC</b>	\$2,982,645.41	\$551,598.00	\$29,800.00	\$89,155.41	\$298,000.00	\$2,014,092.00	496
<b>NCC</b>	\$1,805,000.00	\$334,105.50	\$18,050.00	\$51,675.00	\$215,750.00	\$1,185,419.50	345
<b>SECC</b>	\$365,000.00	\$67,561.50	\$3,650.00	\$16,270.00	\$31,362.50	\$246,156.00	65
<b>WITCC</b>	\$2,722,672.58	\$507,174.00	\$27,400.00	\$65,307.58	\$274,000.00	\$1,848,791.00	298
<b>*24</b>	\$40,180,163.66	\$7,075,447.50	\$400,800.00	\$867,414.02	2,646,561.76	\$29,189,939.88	5,288

**Brief description - column headers Tables 6 - 7:**

- **Proceeds** – Funds raised through the sale of bond certificates (includes par amount plus accrued interest, premiums and underwriter’s discount)
- **Reserves** – Allocated for one year of bond certificate debt service
- **Training** – Allocated for training of employees occupying new jobs
- **Community College Fee** – Allocated for community college administrative fee, 18.51% indirect cost rate applied against par amount
- **State Fee** – Allocated for IEDA administrative fee, 1% applied against par amount
- **Other Issuance Costs** – Allocated for other direct issuance costs and fees (includes financial advisor, bond counsel and underwriter fees)
- **Pledged New Jobs** – new jobs pledged in training agreements financed by bond certificate sales

**260E Agreements Financing Training**

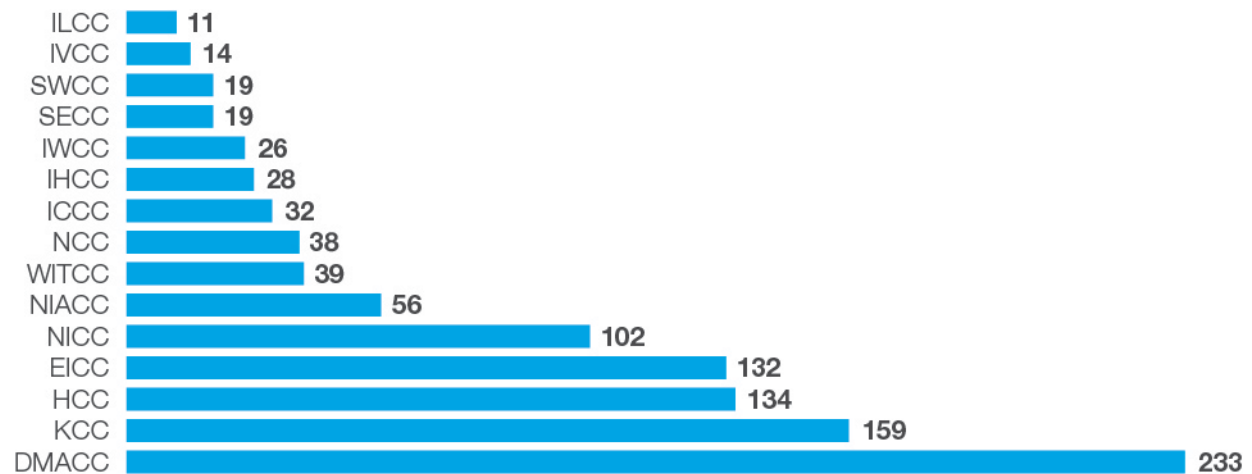
Iowa Code 260E.2 (15) defines a 260E “project” as a training arrangement which is the subject of an agreement entered into between the community college and an Iowa business to provide program services. The currently active portfolio of 260E agreements managed by the community colleges include:

Active Training Agreements	Participating Businesses	Pledged New Jobs
1,042	755	57,048

The time period representative of the agreement portfolio spans Fiscal Year 2003 through Fiscal Year 2013. This includes agreements executed 10 years ago through June 30, 2013. The agreement portfolio managed by each college is reflected below (see Graph 1).

<sup>24</sup> Not all community colleges sold certificates in Fiscal Year 2012.

**Graph 1**  
Active Training Agreement Portfolio, Number of Contracts



Agreements remain “active” or open for a variety of reasons, but particularly for managing the diversion of Iowa income tax withholding payments from participating businesses. Training covered by an agreement is typically completed within two to three years of execution. Withholding diversion may continue however, until the bond certificate that financed the training is paid in full. Section 2.4 of 260E training agreement stipulates:

*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.*

On average, bond certificates are paid off within seven years. Certificates must be paid in full within 10 years of issuance. Some community colleges will not close agreements until the full 10 year time period is expired, even though the withholding payment obligation has been fulfilled. When the principal and interest on certificates have been paid, withholding diversion payments by the business are to cease and any money received after the certificates have been paid is to be remitted to the Iowa State Treasurer to be deposited into the Iowa General Fund.<sup>25</sup>

Seventy-eight percent of agreements are related to a business expansion and 22 percent to a start-up. Eighty-three percent of the agreements are executed with a business employing 250 or fewer employees. 31 percent of the agreements are executed with a business employing 10 or fewer employees, or in the case of a “start-up” a business that is hiring for the first time (see Tables 9 and 10).

**Breakdown of 260E Agreements:**



<sup>25</sup> Iowa Code section 260E.5(2).

**Table 9**  
Active Training Agreements by Community College

Community College	Active Agreements	Businesses	Training Fund Amount	Certificate Amount	Expansions	Startups	New Jobs Pledged
DMACC	233	151	\$92,961,737.00	\$118,591,880.00	207	26	15,242
EICC	132	92	\$36,784,100.00	\$54,250,000.00	107	25	7,345
HCC	134	104	\$20,840,855.00	\$30,725,000.00	111	23	4,538
ICCC	32	24	\$8,010,098.00	\$12,110,000.00	23	9	1,801
IHCC	28	22	\$8,657,464.00	\$12,960,000.00	20	8	1,741
ILCC	11	11	\$2,138,738.00	\$3,195,000.00	6	5	524
IVCC	14	13	\$3,316,682.00	\$5,075,000.00	7	7	1,049
IWCC	26	22	\$9,344,047.00	\$13,875,000.00	16	10	2,449
KCC	159	100	\$34,843,943.00	\$46,170,000.00	139	20	6,562
NIACC	56	46	\$11,102,027.00	\$16,700,000.00	34	22	2,518
NICC	102	76	\$32,398,062.00	\$46,495,850.00	73	29	5,358
NCC	38	28	\$9,109,689.00	\$13,635,500.00	26	12	2,374
SECC	19	18	\$5,724,724.00	\$8,450,000.00	10	9	1,346
SWCC	19	17	\$7,503,619.00	\$11,155,000.00	9	10	1,730
WITCC	39	31	\$12,118,681.00	\$17,900,000.00	25	14	2,471
<b>Total</b>	<b>1,042</b>	<b>755</b>	<b>\$294,854,466.00</b>	<b>\$411,288,230.00</b>	<b>813</b>	<b>233</b>	<b>57,048</b>

**Table 10**  
Active Training Agreements by Employer Size

Number of employees employed by business	Total Agreements (avg.)	Total dollar amount of agreements (rounded)	Average agreement amount by employer size	New Jobs Pledged	Amount allocated for training (avg)	Training amount per pledged job
<b>Startup</b>	210	\$92,973,000	\$444,847	13,847	\$64,566,000	\$4,663
<b>1 - 10</b>	111	\$24,393,000	\$220,658	3,685	\$17,407,000	\$4,724
<b>11- 50</b>	206	\$31,381,000	\$151,599	4,608	\$22,260,000	\$4,831
<b>51 - 100</b>	136	\$24,013,000	\$175,277	3,775	\$17,095,000	\$4,528
<b>101 - 250</b>	203	\$62,543,000	\$306,583	10,113	\$44,403,000	\$4,391
<b>251 - 500</b>	93	\$45,754,000	\$481,621	5,999	\$32,020,000	\$5,338
<b>501 – 1,000</b>	30	\$32,144,000	\$1,071,467	4,097	\$23,686,000	\$5,781
<b>1,001 – 2,000</b>	33	\$40,141,000	\$1,216,394	4,518	\$29,711,000	\$6,576
<b>2001 – 5,000</b>	13	\$46,542,000	\$2,810,923	3,825	\$27,470,000	\$7,182
<b>5,001 – 8,593</b>	7	\$23,355,000	\$3,336,429	2,744	\$17,626,000	\$6,423

## 260E Training – Budgeted and Actual Expenditures

Iowa Code 260E.2 authorizes “program services” for which 260E training funds may be expended (See page 5 of this report). Community colleges are required to track and input specific information for training agreements managed by a college into the 260E data system. This includes entering the anticipated “budget” for program services financed by a training agreement, and once training is completed, entering the “actual” expenditures incurred. This is part of the annual reporting required of the community colleges by IEDA.

Training for workers employed in “new jobs” financed by the 260E program may be conducted through 1) a formal training setting, such as in a classroom, or 2) structured On-the-Job training (OJT) where a worker gains the skills needed by carrying out the functions of the job. As part of required reporting a community college is to identify the training service provider. This means identifying if training was delivered via:

- Community college,
- Contractor, or
- Employer (the 260E business with which the college has executed the agreement)

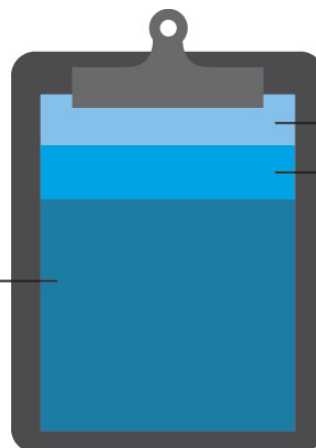
In reviewing data input by the colleges for Fiscal Year 2013 reporting, it shows some colleges did not always categorize OJT as training delivered through the employer. In these situations, the OJT expenditures have been input but not categorized as delivered by “employer” in all cases. This is important to note when looking at Table 11 and the category of “Employer.” Additional guidance will be provided to the community colleges to avoid this confusion in future reporting.

**Table 11**  
260E Training by Provider

	Total Provider Training Expenses	Community College	% of total	Contractor	% of total	Employer	% of total
DMACC	\$50,514,687.78	\$4,156,356.04	8.23%	-	0.00%	\$46,358,331.74	91.77%
EICC	\$15,564,474.96	\$6,800,653.64	43.69%	\$1,290,523.74	8.29%	\$7,473,297.58	48.02%
HCC	\$3,898,608.46	\$885,277.31	22.71%	\$2,416,549.60	61.98%	\$596,781.55	15.31%
IHCC	\$2,690,188.85	\$247,126.40	9.19%	-	0.00%	\$2,443,062.45	90.81%
ICCC	\$3,773,164.14	\$459,395.60	12.18%	-	0.00%	\$3,313,768.54	87.82%
ILCC	\$4,613,033.45	\$6,175.00	0.13%	\$155,048.50	3.36%	\$4,451,809.95	96.51%
IVCC	\$1,831,954.96	\$788,350.43	43.03%	-	0.00%	\$1,043,604.53	56.97%
IWCC	\$4,494,003.61	\$149,441.35	3.33%	\$476,457.14	10.60%	\$3,868,105.12	86.07%
KCC	\$6,362,620.31	\$317,014.35	4.98%	\$4,426,096.31	69.56%	\$1,619,509.65	25.45%
NIACC	\$1,978,639.24	\$621,931.01	31.43%	\$1,120,010.41	56.61%	\$236,697.82	11.96%
NICC	\$2,194,481.28	\$844,445.27	38.48%	\$893,310.90	40.71%	\$456,725.11	20.81%
NCC	\$1,925,533.69	\$241,895.14	12.56%	\$1,683,638.55	87.44%	-	0.00%
SECC	\$1,599,464.06	\$294,288.19	18.40%	\$1,145,585.23	71.62%	\$159,590.64	9.98%
SWCC	\$4,793,040.40	\$1,462,037.00	30.50%	\$972,174.00	20.28%	\$2,358,829.40	49.21%
WITCC	\$4,160,946.18	\$454,232.22	10.92%	\$2,172,961.01	52.22%	\$1,533,752.95	36.86%
<b>Total</b>	<b>\$110,394,841.37</b>	<b>\$17,728,618.95</b>	<b>16.06%</b>	<b>\$16,752,355.39</b>	<b>15.17%</b>	<b>\$75,913,867.03</b>	<b>68.77%</b>

**BREAKDOWN OF 260E...  
WHO PROVIDES THE  
TRAINING**

**68.77%**  
**EMPLOYER**



**15.17%**  
**CONTRACTOR**

**16.06%**  
**COMMUNITY  
COLLEGE**

## Defaults on Training Agreements

A default on a training agreement occurs when a participating business has not paid back in part or in whole to the college its withholding diversion payment. Community colleges are required to promptly notify IEDA when a default is identified.<sup>26</sup> The Auditor reported in 2009 that IDED was unaware of 41 defaults because they had not been reported.<sup>27</sup>

Currently, 42 defaults for the active agreement portfolio have been identified and reported.<sup>28</sup> The total amount of the reported defaults was \$9,099,170. Of this number, 24 defaults are yet to be remedied in the amount of \$2,112,142. Eighteen defaults in the amount of \$6,987,028 were eventually remedied using a variety of sources: Reserves - \$698,700, Diverted withholding - \$569,072, Diverted Interest - \$59,635, Training Fund - \$1,789,479 and Standby Levy - \$3,870,141.

## “New jobs” wages

Code of Iowa 260E.2(10) defines a “new job” as a job in a new or expanding industry but does not include jobs of recalled workers, or replacement workers, or other jobs that formerly existed in the industry in the state of Iowa. Since the establishment of the 260E program, administrative rule has required community colleges to annually report on the number of employees in “new jobs” provided training and the median wage of the “new jobs” of employees in each project.<sup>29</sup>

Until IEDA mandated annual reports, some community colleges did not routinely collect or maintain information on the new jobs created or corresponding median wage associated with the new jobs. This lack of key reporting was compounded when the Iowa Department of Economic Development (predecessor agency to IEDA) did not routinely ensure the submission of this data. As a result, complete information for these outcomes may not be available for each college for the period prior to Fiscal Year 2012. The Auditor noted this deficiency, recommending IDED verify, review and analyze 260E information submitted by community colleges each year in order to report to the Governor and General Assembly, and to support more meaningful and accurate assessment of 260E program success.<sup>30</sup>

With the establishment of the centralized 260E database, IEDA mandated that colleges routinely track and input certain wage elements into the data system effective Fiscal Year 2012. “New jobs” created and wage elements to be reported annually for each training agreement includes:

- New jobs created to date
- New jobs created during the reporting period (e.g. fiscal year)
- Beginning average hourly wages for new jobs created to date
- Ending average hourly wages for new jobs created to date
- Annual average wage increases or decreases for new jobs created to date

---

26 261 IAC 5.10(3).

27 <http://publications.iowa.gov/7290/1/0860-8990-B0P1.pdf> (Auditor’s Review of the 260E program, Released May 19, 2009 Finding F, page 29.)

28 Seven community colleges reporting defaults include: IHCC, ILCC, IVCC, KCC, NIACC, SECC, and WITCC. Eight colleges not reporting defaults include: DMACC, EICC, ICC, IWCC, NIACC, NCC, HCC, and SWCC. It is not known if the 42 defaults are representative of all current defaults.

29 261 IAC 5.10(3).

30 <http://publications.iowa.gov/7290/1/0860-8990-B0P1.pdf> (Auditor’s Review of the 260E program, Released May 19, 2009, Findings J-K, pages 48 to 50).

For fiscal year 2013, the average wage information associated with “new jobs” for the active training agreement portfolio shows:

Beginning Average hourly wage	Ending Hourly Wage	Annual Average Wage Increase
\$18.61	\$23.61	\$4.60

### Iowa Withholding Tax Diversion – Confirming Amount Paid to Credit Claimed

The diversion of employer withholdings by a participating business from Iowa’s General Fund to a community college for 260E costs is the primary source used by the community colleges to pay off issued 260E bond certificates. The Auditor identified deficiencies related to the accurate and timely payment of 260E withholding by participating businesses and the reconciliation of payments to amounts claimed by a business as a credit on their Iowa withholding tax filing.<sup>31</sup> Substantiating withholding payments and claims is vital. A 260E claim that cannot be documented will be considered to be a delinquent withholding liability by the Iowa Department of Revenue (IDR), subject to an assessment of penalty and interest.<sup>32</sup>

Withholding quarterly returns are required to be submitted to IDR by the last day of the month, following the end of the tax quarter. A business or their authorized provider (such as a third party payroll vendor) electronically submit returns to the IDR via the E-File and Pay system.<sup>33</sup> Returns submitted to IDR are confidential tax information. Community colleges are required to enter the E-File and Pay information received from the business into the 260E data system within 30 days. For example, for calendar year 2012 the due dates were:

Tax Quarter	Due to E-File & Pay	Due to 260E data entry
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

Data to be entered into the 260E database includes:

- Training agreement identifying number
- 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

One initiative undertaken by IEDA is to improve the timeliness of the community college’s entering of quarterly withholding tax information into the 260E data system. IEDA provides a monthly withholding diversion reconciliation report to the community colleges. The report reflects the status of the college in inputting required data into the 260E data system. In addition to providing daily support by email and

<sup>31</sup> <http://publications.iowa.gov/7290/1/0860-8990-B0P1.pdf> (Auditor’s 2009 Review of the 260E program, Finding F, pages 44 to 45).

<sup>32</sup> Iowa Code sections 260E.5(5) and 15.330(2), 261 IAC 5.1(1).

<sup>33</sup> [https://efilepay.idr.iowa.gov/iao\\_aaa/welcome.asp](https://efilepay.idr.iowa.gov/iao_aaa/welcome.asp)



telephone, IEDA has conducted on-site visits to all colleges. IEDA has also collaborated with IDR to educate participating businesses and third-party payroll vendors on how to comply with the quarterly tax withholding certification process required by the 260E program. In May 2013, a total of 889 entries had been completed by all 15 community colleges. 2,225 entries had been completed by the end of Fiscal Year 2013.

## Iowa Jobs Training Program - 260F

### Background

The Iowa Jobs Training Program provides job training services to existing employees of eligible businesses located in Iowa. Authorizing legislation is found in Chapter 260F of the Iowa Code. The Iowa Economic Development Authority (IEDA) administers the 260F program on behalf of the state of Iowa and adopts administrative rules to govern 260F program operations.<sup>34</sup> Iowa's 15 community colleges are responsible for implementing and managing the 260F program within their regionally defined areas.

### Business Eligibility

The 260F program has the same eligibility requirements for a business as required by the 260E program (see page 2 of this report).

### Agreements

Community college may enter into an agreement with an eligible business to establish a training project. At a minimum the agreement shall provide for: date of the agreement, anticipated number of employees to be trained, estimated cost of training, anticipated dates of commencement and termination of training, and other criteria established by IEDA. To receive 260F funds for a project the community colleges must submit an application to IEDA.<sup>35</sup>

### Awards

An individual business site is eligible for a maximum award of \$50,000 per training project. A business site is eligible for a maximum of \$100,000 in program assistance during a three-year period. A member of a consortium of businesses may be eligible under 260F. However, the maximum award per project shall not exceed \$100,000. Training projects costing \$5,000 or more require a 25 percent cash match for the business. Training projects costing less than \$5,000 do not require a business cash match.

### Program Services

The 260F program has the same program services<sup>36</sup> for which funds may be expended as those covered under the 260E program (see page 5 of this report).

### Program Funding

Administrative rule establishes a distribution formula for how appropriated 260F funding is to be allocated (for specific components of the program) as percentage amounts, unless otherwise stipulated by the General Assembly in the appropriation process.<sup>37</sup> Information presented in the following tables reflects Fiscal Years 2011 to 2013. Note, the number of "employees completing training" is subject to updating as some projects are still ongoing and have not yet been concluded.

---

<sup>34</sup> Iowa Code section 260F.7.

<sup>35</sup> Iowa Code section 260F.3 and 260F.6(2).

<sup>36</sup> Iowa Code section 260F.2.

<sup>37</sup> 261 IAC 7.4.

### **\$2.7 million to community colleges (based on general state aid formula)**

\$2.7 million is allocated to community colleges to be used either by an individual company seeking funding (with a maximum award of \$50,000 per application and a total of \$150,000 in three years) or a consortium of multiple businesses located in the same community college district, sharing a common training need (eligible for a max of \$100,000 per award).

It is important to note that while the annual distribution is \$2.7 million, the training dollar amounts reflected in Tables 12 and 13 include amounts carried over from the prior fiscal year and any dollars that had been awarded to the community colleges but were returned to IEDA because they were not used.

**Table 12**  
Iowa Jobs Training Program

Fiscal Year	Projects Awarded	Anticipated to be Trained	Completing Training	Training Dollars Awarded
2013	228	6,513	2,630	\$3,174,577
2012	236	5,666	4,390	\$3,417,492
2011	201	5,490	7,473	\$2,732,375

**Table 13**  
Community College Consortium

Fiscal Year	Projects Awarded	Anticipated to Be Trained	Completing Training	Training Dollars Awarded
2013	2	110	103	\$31,444
2012	4	251	238	\$71,403
2011	4	456	323	\$161,232

### **\$300,000 to business network training projects on a first come basis**

A Business Network application requires the participation of two or more community college working with five or more businesses to address a common training need. A training project award amount may not exceed \$100,000 per participating community college. The training dollar amounts reflected in Table 14 include amounts carried over from the prior fiscal years.

**Table 14**  
Community College Business Network

Fiscal Year	Projects Awarded	Anticipated to be Trained	Completing Training	Training Dollars Awarded
2013	1	36	0	\$100,000
2012	3	409	0	\$400,000
2011	1	70	75	\$150,000

## \$1 million to Apprenticeships

\$1 million per fiscal year is made available to the community colleges to provide apprenticeship training. The allocation of the funds available for each community college is determined based on contact hours delivered by the community colleges in the prior year. Generally, six to seven community colleges report eligible contact hours for apprenticeship training to the Iowa Department of Education (IDE). In January of each year, that information is provided to IEDA and each community college is notified of its allocation. Subsequently, the community college submits an application to IEDA setting out how it will use its allocation. If any portion of the moneys set aside for a community college is not used or committed, the remaining funds are rolled over to the next fiscal year. As of June 30, 2013, only Kirkwood had applied for its FY 2013 allocation.

**Table 15**  
Community College Apprenticeship

Fiscal Year	Number of Projects Awarded	Anticipated to be Trained	Employees Completing Training	Number of Journeyperson	Training Dollars Awarded
2013	9	663	564	104	\$223,491
2012	21	1,014	1,239	250	\$743,266
2011	34	1,830	1,956	360	\$901,998

## Community Colleges' 260F Administrative Fee - Using 260E "Indirect Rate"

Community colleges' fees for managing the 260F program are eligible for program funding.<sup>38</sup> 260F fees are not to exceed the indirect rate charged by a community college for a 260E administration, currently 18.51 percent (See page 6 of this report). The reported rates used by the community colleges for 260F applications submitted for Fiscal Year 2014 are reflected in Table 16. Northwest Iowa Community College, Southwestern Community College, Western Iowa Tech Community College and Iowa Lakes Community College did not submit applications for 260F funds in Fiscal Year 2014. The rates for applications submitted by those four colleges in Fiscal Year 2013 are set out in Table 16.

**Table 16**  
260F Administrative Rates

Institution	Admin. Rate
Northeast Iowa Community College (NICC)	15.0%
Eastern Iowa Community College (EICC)	15.0%
North Iowa Area Community College (NIACC)	17.0%
Southeastern Iowa Community College (SECC)	15.0%
Kirkwood Community College (KCC)	15.0%
Iowa Valley Community College (IVCC)	15.0%
Indian Hills Community College (IHCC)	18.51%
Des Moines Area Community College (DMACC)	12.66%
Hawkeye Community College (HCC)	18.51%
Iowa Western Community College (IWCC)	18.51%
Iowa Central Community College (ICCC)	18.0%
Northwest Iowa Community College (NCC)	18.51%
Southwestern Community College (SWCC)	6.60% <sup>39</sup>
Western Iowa Tech Community College (WITCC)	18.51%
Iowa Lakes Community College (ILCC)	18.51%

<sup>38</sup> 261 IAC 7.9(1).

<sup>39</sup> Applications have not yet been submitted by SWCC to IEDA for Fiscal Year 2014. The amount reflected in Table 16 is the average of three rates applied by SWCC for three applications submitted for Fiscal Year 2013.

## Accelerated Career Education Program - 260G

The Accelerated Career Education Program (ACE) is to assist Iowa's community colleges to either establish or expand programs that train individuals in the occupations most needed by Iowa businesses. Authorizing legislation is found in Chapter 260G of the Iowa Code. The ACE program consists of two components: 1) Program job credits to help fund the additional program costs associated with establishing a new program or expanding a current program, and 2) infrastructure dollars to fund necessary infrastructure construction/rehabilitation for increasing student capacity in the new or expanded classes.<sup>40</sup> Information presented reflects Fiscal Years 2011, 2012 and 2013. The number of "employees completing training" is subject to updating as some projects are still ongoing and have not yet been concluded (See Table 17).

To participate in the ACE program, 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. The ACE program job credit allows participating businesses to divert a portion of the company's current Iowa individual income withholding tax, based on the number of seats in a training program sponsored by a company. The program job credit can be up to 10 percent of the hiring wage that a sponsoring business would pay to an individual that completes the programs' requirements (minimum wage being 200 percent of the federal poverty guideline for a family of two). Information presented reflects Fiscal Years 2011, 2012 and 2013. Data is subject to updating as some projects are still ongoing and have not yet been concluded.

**Table 17**  
ACE (260G) Job Credit

Fiscal Year	Projects Awarded	Participating Businesses	Sponsored Positions	Tax Withholding Dollars Awarded
2013	42	157	1506	\$4,849,951
2012	45	165	1642	\$4,967,102
2011	49	168	1645	\$4,882,705

<sup>40</sup> As a result of legislation passed in the 2012, ACE infrastructure funds go directly to the community colleges with oversight provided by the Iowa Department of Education. This change became effective in Fiscal Year 2013. This report does not provide data on this component of the 260G program.

## Appendix A

### 260E Bond Certificates

Bond certificates are debt securities issued by government entities to raise money for certain purposes. The issuer of a bond certificate is obligated to make regular interest payments, usually semi-annually, and the return of the original investment or principal to the purchasers of the security. Bond certificates are sold in the municipal securities market. A 260E bond certificate is a debt security issued by community colleges to raise funds for 260E purposes. A much generalized overview of how bond certificates are regulated and the roles of the organizations and professional advisors working with the 260E program are highlighted below. This not intended to be a comprehensive summary.

### Regulation of the Municipal Debt Market

Issuers of municipal debt (securities) include states, counties, cities, and special tax districts, along with special agencies of state and local governments. Some municipal bonds represent the general obligation of the governmental issuer with taxing authority; others will pay principal and interest only from a specified source of revenue. The issuer's promise to pay interest and principal on a bond may be backed by various types of pledges and sources of security, depending on the type of bond and the purpose of issuance.

### Municipal Securities Rule Making Board (MSRB)

The MSRB was established by Congress as a self-regulatory organization to protect investors and the public interest by promoting a fair and efficient municipal securities market. The MSRB's role includes developing rules to regulate the securities firms and banks involved in underwriting, trading, and selling municipal securities. The MSRB Board is composed of members from the municipal securities dealer community and the public and sets standards for all municipal securities dealers.<sup>41</sup>

### Securities and Exchange Commission (SEC)

The Office of Municipal Securities coordinates the SEC's municipal securities activities, advises the Commission on policy matters relating to the municipal bond market and provides technical assistance in the development and implementation of major SEC initiatives in the municipal securities area. The Office reviews and processes rule filings of the MSRB and acts as the Commission's liaison with the MSRB, Financial Industry Regulatory Authority (FINRA) and a variety of industry groups on municipal securities issue.<sup>42</sup>

### Community Colleges

Community Colleges implement and manage the 260E program within their regionally defined areas. Key functions are carried out by economic development and finance staff. The board of directors has responsibility for certain reviews and approvals. Some of these functions include:

#### Staff

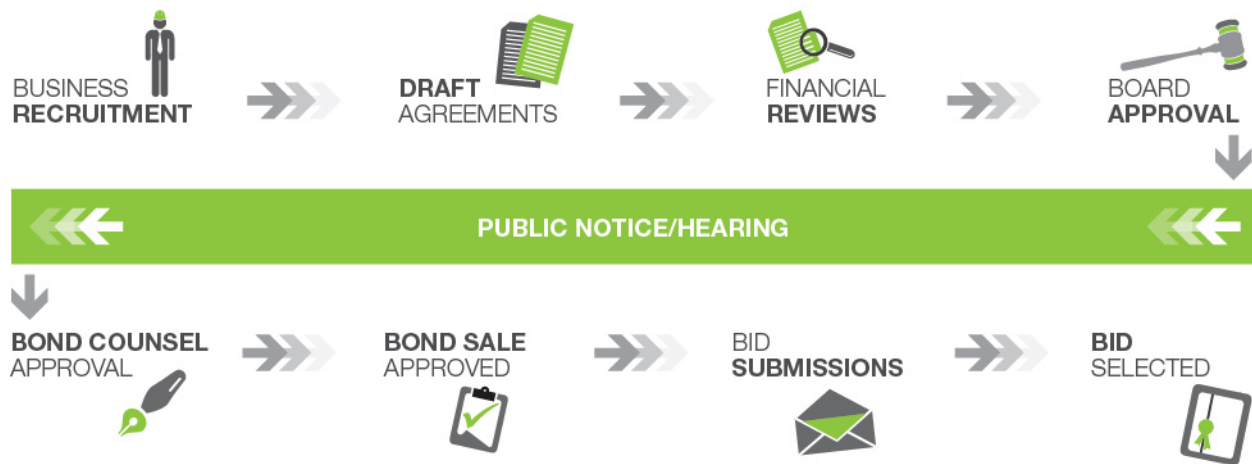
- Recruit businesses to participate in the 260E program
- Review eligibility of business for participation and financial ability to support debt service
- Receive Iowa income tax withholding payments from participating businesses for debt service and reconcile amounts claimed for credit on withholding tax filings
- Monitor bond repayment fund, earned interest, and timing to pay off bond
- Monitor compliance by participating businesses with 260E statutory and administrative rule requirements

---

<sup>41</sup> Municipal Securities Rulemaking Board <http://www.msrb.org/Municipal-Bond-Market/How-the-Market-is-Regulated/Milestones-in-Municipal-Securities-Regulation.aspx>

<sup>42</sup> SEC Office of Municipal Securities [www.sec.gov/info/municipal.shtml](http://www.sec.gov/info/municipal.shtml)

# BOND CERTIFICATE DEVELOPMENT AND SALE



## Board of directors

- Approve final agreements
- Issue required public notices
- Hold public hearing
- Approve selected bid and payment to underwriter
- Pass resolution for standby property tax levy and annual required notice to county auditors

## IEDA

IEDA is responsible for administering the 260E program, on behalf of the state of Iowa, including ensuring conformance with applicable statutory and administrative rule provisions. Some of these functions include:

- Promulgate administrative rules for use by the community colleges in implementing the 260E program
- Maintain centralized 260E database for use by community colleges to input information required under statutory and administrative rule requirements
- Conduct compliance monitoring and verification of information submitted by the community colleges to the centralized 260E database and Transcript and Reimbursement Data Systems maintained by individual colleges
- Monitor, evaluate and report on the effectiveness of the community colleges in implementing the program

## Professional Advisors

The development and issuance of a bond certificate requires specialized knowledge and expertise. The community colleges retain the services of the following professionals to provide some of the following functions:

### Financial Advisor

- Has fiduciary responsibility to community college
- Advise on bond issuance matters such as method of sale (competitive or negotiated)
- Size bond certificates (determines the amount of proceeds needed), in addition timing of the sale, credit ratings and other matters

### **Bond Counsel**

- Issues a legal opinion bond certificates are legal, valid and binding obligations of the community college
- As applicable, validates the tax status of the debt (for example, verifying that the interest on the bonds is exempt from federal income tax)

### **Underwriter**

- Broker-dealer that purchases a 260E bond issuance and then re-sales the bond to investors
- As compensation for its services, the underwriter sells the bonds to the bondholders for slightly more than what it paid the community college (After the bonds are sold, the underwriter is no longer involved with the bond issuance)

### **Key documents**

There are many documents and approvals related to the development and issuance of bond certificates, a few key ones include:

#### **Official Statement**

- Intended to disclose all related material information about the offered debt and the finances surrounding it in order to fully inform potential investors how the bond will be repaid
- Used to register the undertaking of the public debt with appropriate financial oversight bodies
- Typically reflects the purposes of the issue, how the securities will be repaid, and the financial and economic characteristics of the issuer
- There are no specific requirements for an OS per se under the MSRB

#### **Training Agreement**

- Sets base employment (preliminary agreement)
- Contains all binding obligations (final agreement) sources of repayment pledged new jobs, and anticipated training

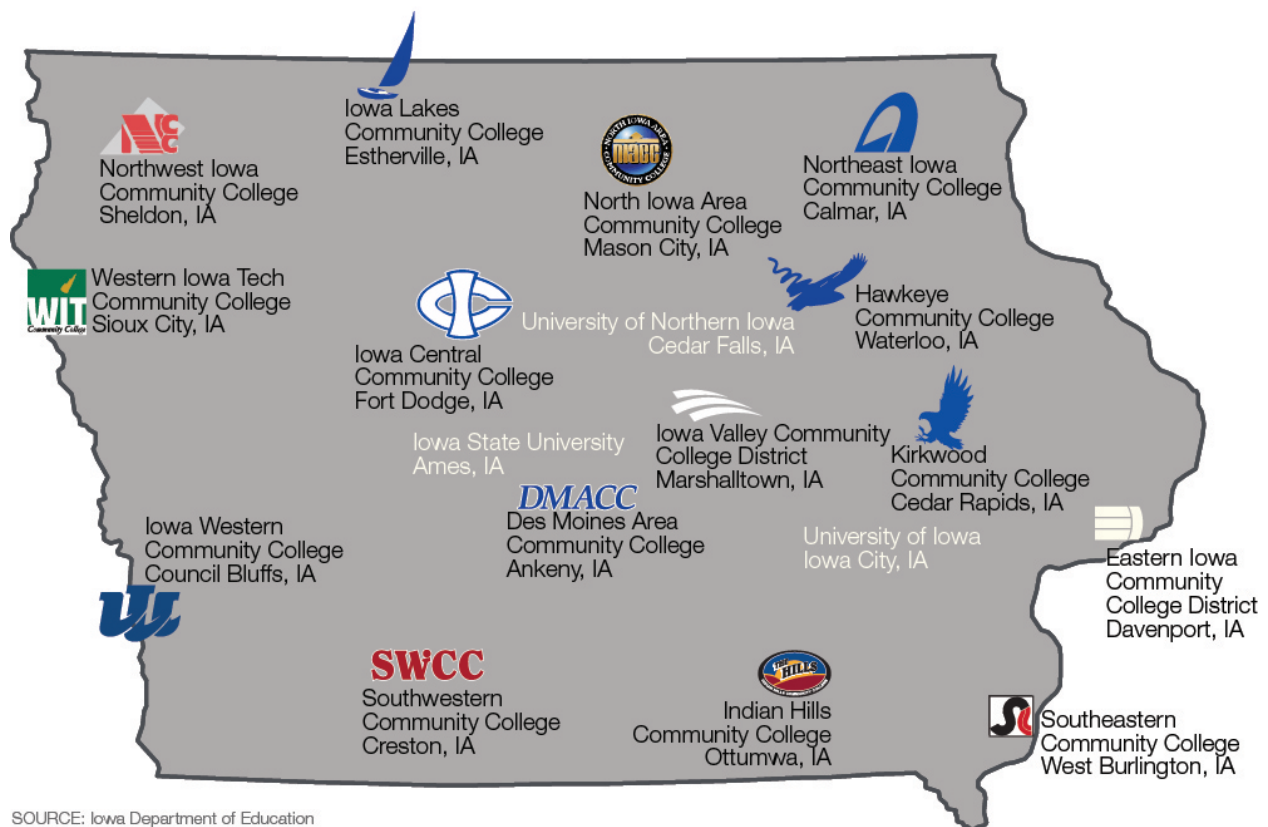
#### **Withholding Tax Diversion Payments and Claimed Credits**

- Payments made by businesses to colleges an amount equal to 1.5 to three percent of the gross wages paid to the employees in the new jobs
- Credits claimed by businesses on Iowa withholding tax filings via E-File and Pay (copy to be submitted to colleges)



## Iowa's Community Colleges

- Des Moines Area Community College (DMACC)
- Eastern Iowa Community College (EICC)
- Hawkeye Community College (HCC)
- Indian Hills Community College (IHCC)
- Iowa Central Community College (ICCC)
- Iowa Lakes Community College (ILCC)
- Iowa Valley Community College (IVCC)
- Iowa Western Community College (IWCC)
- Kirkwood Community College (KCC)
- North Iowa Area Community College (NIACC)
- Northeast Iowa Community College (NICC)
- Northwest Iowa Community College (NCC)
- Southeastern Iowa Community College (SECC)
- Southwestern Community College (SWCC)
- Western Iowa Tech Community College (WITCC)



SOURCE: Iowa Department of Education