

IEDA is charged by the Iowa General Assembly with coordinating the following four training programs that fuel growth and competitiveness in Iowa's economy by delivering customized training to support a skilled workforce for Iowa business:

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

IEDA is responsible for administering 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 and managing the 260E, 260F and 260G programs within its merged area.¹

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 "260E." 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 of the Iowa Administrative Procedure Act. Community colleges are to implement the 260E program, adhering to Iowa Administrative Code 261, Chapter 5. IEDA is responsible for identifying information needed to effectively coordinate and review the program and to issue a report on its effectiveness.

Program Information – Two Sources

Information essential to 260E administration, reporting and evaluation is maintained in two databases. Both rely on ongoing input and update of information by the colleges, and are subject to IEDA review and reporting.² The two systems include:

- Transcript and reimbursement data system maintained by each college
- Centralized 260E data system maintained by IEDA

¹ 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.

² Iowa Code sections 260E.7, and 84A.5.

In a 2009 review of the 260E program, the Auditor of State (AOS) stated “Training paid for with NJTP training certificate proceeds may be provided only to employees in jobs created by NJTP projects and those employees must pay Iowa withholding tax.”³ A transcript and reimbursement data system was piloted by the community colleges in 2012 to enhance the verification of training and review of reimbursements. Each college maintains its own system and certain components of the system may vary among colleges. A transcript and reimbursement data system assists to:

- Confirm eligibility of positions to receive 260E funded training
- Review claims for reimbursement of 260E training costs
- Provide an unofficial record of training received by employees in 260E positions⁴

Community Colleges Input to Centralized 260E Data System

IEDA prepares a report based on data entered by each community college into the IEDA 260E data system. The system was developed by IEDA in collaboration with the community colleges to address reporting and monitoring deficiencies noted by the AOS in a 2009 review of the 260E program.⁵ Information and documents the colleges are required to enter, upload and maintain in the system are based on statutory and administrative rule provisions.

This section describes how the 260E program is funded through public debt financing (selling bond certificates), Fiscal Year 2014 and 2013 certificate sales,⁶ and the allocation of certificate proceeds. Information on training agreements entered into between community colleges with Iowa businesses is included. Efforts to reconcile diverted income tax withholding payments to colleges with tax credit claims made by participating businesses is addressed.

Please note, 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 that 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. 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 that is involved in a strike, lockout or other labor dispute in Iowa, is not eligible.

Community colleges enter into training agreements⁷ with eligible businesses to establish a 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

³ <http://publications.iowa.gov/7290/1/0860-8990-B0P1.pdf> (Auditor's Review of the 260E program, Released May 19, 2009, Training costs, page 14 and Finding E, page 43.)

⁴ Documents 260E training providing a transcript (record) to the employee. Training could be for non-credit or credit.

⁵ <http://publications.iowa.gov/7290/1/0860-8990-B0P1.pdf> (Auditor's Review of the 260E program, Released May 19, 2009, Findings H through K, pages 47 – 51.)

⁶ Fiscal Years 2013 and 2014 bond certificate sales per date of the Official Statement.

⁷ 261 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."

go to the municipal securities market to sell about \$47.6 million in certificates.⁸ A rule of thumb for the dollar amount representative of the interest paid on a certificate is 10-15 percent of the par amount of the certificates issued.⁹

A 260E bond certificate issuance is described and presented in an Official Statement (OS) prepared by the financial advisor retained by the college. The OS is to provide accurate and complete information about the securities transaction in order to fully inform potential investors. 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 businesses for which training is being financed through the sale of the certificate.

Community colleges use certificates proceeds to:

- Pay fees and expenses for issuing certificates
- Reimburse businesses for training workers in new jobs
- Cover administrative costs
- Partially fund General Administration and General Institution overhead of the community colleges

Bond Certificate Repayment

Payments of principal and interest on certificate proceeds borrowed by colleges are payable from sources identified in training agreements. Payments made by businesses to community colleges in lieu of a portion of lowa income withholding taxes generated from new jobs is the primary repayment source. Upon paying a college, a business may then claim this same amount as a tax credit, effectively reducing its lowa withholding tax obligation. By law, a business must pay a college before claiming a credit.¹⁰ Sources available for bond certificate repayment may be any one of the following, or a combination of them:

Repayment sources

1. **New jobs withholding credits (base)** – Instead of paying all lowa withholding tax due to the state of lowa 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 percent of the gross wages paid to employees in the new jobs. These payments are considered 260E base diversion and are referred to as “new jobs withholding credits.”
2. **New jobs withholding credits (supplemental)** – Additional payment equivalent to 1.5 percent of gross wages paid on new jobs is authorized by lowa Code 15A.7. In essence, this enables a business to divert the equivalent of three percent 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 percent or more of the average hourly wage for the county or region in which the site location or expansion is located.

Until July 2014, a business that paid a wage between 90 and 100 percent of the wage that qualified as an Enterprise Zone (EZ) Program wage for the training project could also qualify for the supplemental. However, because authorization for the EZ Program was repealed effective July 1, 2014, this option is no longer available.¹¹

⁸ Based on average total of “aggregate bond proceeds” of 260E certificate issuances over the past ten years.

⁹ 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.

¹⁰ IAC 261-5.6(1).

¹¹ HF 2448, Enterprise Zone and Workforce Housing Tax Credits Bill.

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.¹² Withholding from other businesses may also be used to make up a shortfall, provided that the 260E training was financed by the same certificate.

Between Fiscal Year 2001 and Fiscal Year 2014, colleges awarded \$588,340,339 in new jobs withholding credits. (Table 1)

3. **Incremental Property Tax** – The increase in incremental property tax generated as a result of a 260E site location or expansion may be diverted as payment to a college and forgone by local government. The Auditor of State reported in 2009 that \$69.1 million of incremental property tax was foregone by local governments for payment to colleges since the start of the program, but that the use of this repayment source had decreased sharply.
4. **Reserves** – a portion of the certificate proceeds are set aside by community colleges for 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. Reserves are sometimes used as a payment source after revenue is received.
5. **Other** – Iowa Code 260E.3 authorizes use of tuition, student fees or special charges fixed by the community college's board of directors to defray 260E costs. These sources are rarely used.

Standby Property Tax Levy

Iowa Code 260E.6(4) directs a 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 merged area. The levy may only be used in the event of a 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. Iowa Code sections 422.11A and 422.33(6) authorize a business that has increased its base employment level by at least 10 percent, or in the case of a startup, has added new jobs, to claim a New Jobs Tax Credit. The credit can be claimed during the tax year selected by the business against corporate income taxes, or in the case where the business is a pass-through entity, on individual income taxes.

The credit equals six percent of the taxable wages that the employer is required to contribute to the state unemployment compensation fund (\$1,608 per job created in 2014) 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. Tax credits equaling \$26 Million have been claimed from Fiscal Year 2007 to Fiscal Year 2014. (Table 1).

¹² Iowa Code section 260.5(2).

Table 1
Iowa Department of Revenue
260E Tax Credits from the Contingent Liabilities Report, December 12, 2014

	Amount of 260E Credits Awarded	Payments Received by the Community Colleges	Amount of 260E & Supplemental Credit Claimed on Withholding Returns	Amount of 260E New Jobs Tax Credit Claims	Total 260E Claims
FY 2001	\$38,567,500	n/a	n/a	n/a	n/a
FY 2002	\$36,465,750	n/a	n/a	n/a	n/a
FY 2003	\$26,705,000	n/a	n/a	n/a	n/a
FY 2004	\$26,746,500	\$40,667,329	n/a	n/a	n/a
FY 2005	\$51,445,000	\$42,218,828	n/a	n/a	n/a
FY 2006	\$39,670,000	\$42,763,460	\$31,493,575	n/a	n/a
FY 2007	\$60,110,000	\$46,110,828	\$43,678,031	\$4,421,145	\$48,099,176
FY 2008	\$58,680,730	\$43,088,634	\$48,002,632	\$4,608,919	\$52,611,551
FY 2009	\$48,925,000	\$52,783,363	\$47,115,639	\$4,500,047	\$51,615,686
FY 2010	\$32,127,000	\$46,848,545	\$47,120,304	\$2,969,191	\$50,089,495
FY 2011	\$40,755,000	\$49,581,137	\$45,721,379	\$2,347,904	\$48,069,283
FY 2012	\$48,485,000	\$49,411,803	\$48,919,947	\$2,819,265	\$51,739,212
FY 2013	\$40,990,727	\$42,541,861	\$43,457,458	\$2,888,793	\$46,346,251
FY 2014	\$38,667,132	\$33,109,630	\$40,178,515	\$1,541,817	\$41,720,332
TOTAL	\$588,340,339	\$489,125,418	\$395,687,480	\$26,097,081	\$390,290,986

260E Agreements

Iowa code and administrative rules establish authorized 260E program services, conditions that must be included in agreements and document submittals to IEDA.¹³ 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

¹³ Iowa Code section 260E.2, 260E.3 and 261 IAC 5.4.

Agreement conditions

- Must identify costs to be incurred and the minimum amounts of guaranteed revenue sources to pay for such costs
- That program costs must be paid within ten years from the date a training project commences
- Identify the length of time which each new job category will be provided on-the-job training
- Reflect the completion date of all other training
- Provide that On-the-Job (OJT) reimbursement will not exceed 50 percent of the annual gross payroll costs of the new jobs for up to one year
- Provide that payment requirements of the participating business to the college are liens upon the business' property until paid in full

Submittals to IEDA

- A copy of the final program agreement, including pertinent training services and financial details
- Corresponding OS 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,¹⁴ remedies and repayment policies

IEDA Administrative Fee – 1%

Iowa Code 15.251 provides that IEDA may charge the community colleges a fee of up to one percent of the gross sale amount of the certificates. The one percent is to be used for 260E 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 oversight responsibilities. It recommended IDED use these funds to monitor the appropriateness of program activities by the colleges.¹⁵ IEDA has established a 260E Compliance Monitoring Officer position and, in collaboration with the community colleges, is implementing a reporting process to review compliance and support best practices.

Indirect Cost Rate

260E program training agreements cover program costs¹⁶ that, by statute, are the necessary and incidental costs of providing program services of the 260E.¹⁷ Colleges are not reimbursed for directly incurred costs, but rather at an indirect rate established by Iowa Administrative Code.¹⁸ This rate is based on the community colleges' combined General Administration and General Institution expenditures as a percentage of the sum total 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.

¹⁴ 261 IAC 5.10(3).

¹⁵ <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).

¹⁶ Iowa Code section 260E.3 (1).

¹⁷ Iowa Code sections 260E.2 (13) and 260E.2 (14) (f).

¹⁸ 261 IAC 5.4(7).

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

1. General Administration expenditures of the colleges (reported as function five)¹⁹
2. General Institution expenditures of the colleges (reported as function nine)²⁰
3. All expenditures of the colleges

Functions five and nine expenditures are totaled and divided into the sum of all expenditures for a percentage. This percentage establishes the indirect rate. The colleges must have the indirect rate at the start of the state fiscal year which commences July 1. IDE uses the most current fiscal year for which financial expenditure data is available. Because data for the preceding fiscal year is not available to IDE until December, IDE uses data that is two fiscal years out to calculate the indirect rate. For example, FY 2013 financial data is used to calculate the rate for FY 2015. (Table 2)

Table 2
260E Indirect Cost Rate Calculation
Fiscal Years 2012 through 2015²¹

Fiscal Year Financial Data	Administrative Function 5	Administrative Function 9	Total Expenditures	Calculated Indirect Rate	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

Community College Fee – 18.51%

Through FY 2011, the indirect cost rate was the amount calculated by IDE for 260E administrative costs. As function five and function nine expenses increased, the amount available for 260E administrative expenses also increased. Starting with FY 2012, the community college presidents approved keeping the fee at the calculated Fiscal Year 2011 cost rate of 18.51 percent. This was less than the indirect rate available to the colleges. (Table 3)

¹⁹ 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.”

²⁰ Iowa Uniform Accounting System for Community Colleges Manual, page 16, General Institution – “All other expenditures except those included in functions 1-8.”

²¹ Data provided by the Iowa Department of Education.

Table 3
260E Calculated Indirect Cost Rate and Announced Rate
Fiscal Years 2006 to 2015²²

Fiscal Year	Indirect Cost Rate Allowable	Rate Used by Colleges
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%
2015	19.06%	18.51%

Bond Certificate Sales

Community colleges sold 31 bond certificates during FY 2014 and FY 2013. This provided a total of \$108 million in certificate proceeds allocated as follows:

Training Funds - \$62,598,411.10

Refinancing Funds - \$19,301,477.82

Community College Fees – \$16,219,484.50

State Fee - \$1,073,050.00

Other Cost of Issuance Fees - \$1,963,599.53

Reserves - \$6,903,299.41

These issuances are financing 275 training agreements with 237 participating businesses²³ pledging 12,015 new jobs. A business may have more than one agreement with a community college or colleges. (Tables 4 and 5)

²² Data provided by the Iowa Department of Education.

²³ A business may have more than one agreement with a community college or colleges. A college will serve businesses located in its merged area.

Table 4
260E Bond Certificate Issuance
Fiscal Year 2014 and 2013

Fiscal Year	Bond Amount (Total Sources)	Reserves	Training Fund	College Fee	State Fee	Other Issuance Costs	Pledged New Jobs
2014	\$46,376,701.93	\$3,431,815.03	\$29,850,202.82	\$7,778,048.00	\$460,300.00	\$915,814.08	6,547
2013	\$61,682,620.43	\$3,471,484.38	\$32,748,208.00	\$8,441,436.50	\$612,750.00	\$1,047,785.45	5,468
Total	\$108,059,322.36	\$6,903,299.41	\$62,598,411.10	\$16,219,484.50	\$1,073,050.00	\$1,963,599.53	12,015

Table 5
Proceeds, Businesses and Agreements
Fiscal Years 2014 and 2013

Fiscal Year	Bond Amount (Total Sources)	Participating Businesses	Training Agreements	Pledged New Jobs
2014	\$46,376,701.93	143	145	6,547
2013	\$61,682,620.43	122	130	5,468

Some community colleges will sell no 260E bond certificate during a particular fiscal year, while other colleges may have more than one issuance. Colleges also refinance certificates to take advantage of lower interest rates to achieve costs savings. In FY 2014, 14 community colleges sold certificates. In FY 2013, 10 colleges had sales.

Information concerning FY 2014 and FY 2013 certificate issuance and use of proceeds is reflected on Tables 6 – 11. Colleges are listed alphabetically. Data provided in the tables include:

- **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 (18.51% indirect cost rate applied against par amount)
- **State Administrative 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)
- **Capitalized Interest/Reserve Fund Amount** – Allocated for one year of bond certificate debt service. DMACC uses capitalized interest. All other colleges use reserve funds. Both methods are acceptable
- **Training Fund Amount** – Allocated for training employees occupying new jobs
- **Pledged New Jobs** – new jobs pledged in training agreements financed by bond certificate sales

Fiscal Year 2014 Certificate Tables

The following tables show bond certificates issued in Fiscal Year 2014.

Table 6
260E Bond Certificate Issuances
Fiscal Year 2014

FY 2014 Bond Issuance	Bond Amount (Total Sources)	Community College Fee	State Administrative Fee	Other Issuance Costs	Capitalized Interest/ Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
DMACC	\$9,214,160.70	\$1,689,037.50	\$91,250.00	\$142,152.20	\$56,511.00	\$7,235,210.00	1,284
EICC	\$4,366,622.30	\$795,004.50	\$42,950.00	\$165,863.75	\$470,304.05	\$2,891,000.00	595
HCC-1	\$2,602,170.00	\$483,111.00	\$26,100.00	\$37,567.00	\$281,408.00	\$1,773,234.00	451
IHCC-1	\$1,362,286.90	\$253,587.00	\$13,700.00	\$18,379.88	\$140,246.90	\$936,123.12	601
ICCC	\$3,629,731.75	\$669,136.50	\$36,150.00	\$54,731.75	\$361,500.00	\$2,507,463.50	301
ILCC	\$2,994,485.00	\$553,449.00	\$29,900.00	\$36,630.51	\$349,985.00	\$2,024,520.49	440
IVCC	\$4,698,537.20	\$858,864.00	\$46,400.00	\$72,145.25	\$537,801.95	\$3,182,576.00	737
KCC	\$3,530,085.20	\$647,850.00	\$35,000.00	\$97,871.13	\$175,000.00	\$2,574,364.07	755
NIACC	\$885,000.00	\$163,813.50	\$8,850.00	\$32,936.21	\$88,500.00	\$590,900.29	143
NICC	\$3,773,741.65	\$694,125.00	\$37,500.00	\$65,120.30	\$375,000.00	\$2,601,996.35	481
NCC	\$411,728.75	\$75,891.00	\$4,100.00	\$12,660.00	\$42,848.75	\$275,479.00	83
SCC	\$2,142,181.65	\$391,486.50	\$21,150.00	\$57,245.00	\$245,944.15	\$1,426,356.00	284
WITCC	\$2,074,143.95	\$380,380.50	\$20,550.00	\$42,556.22	\$244,765.23	\$1,385,892.00	204
TOTAL	\$41,684,875.05	\$7,655,736.00	\$413,600.00	\$835,859.20	\$3,369,815.03	\$29,405,114.82	6,359

In addition to the regular 2014 bond issuances listed in the table above, community colleges also refinanced three certificates, including a combination new issuance / refinanced certificate.

Table 7
260E Refinancing Bond Certificate Issuances
Fiscal Year 2014

FY 2014 Refinancing Bonds	Refinancing Bond Amount (Total Sources)	Community College Fee	State Administrative Fee	Other Issuance Costs	Capitalized Interest/ Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
HCC-2	\$1,501,990.00	\$0.00	\$15,050.00	\$18,816.00	\$0.00	\$0.00	0
IHCC-2	\$1,818,961.88	\$0.00	\$17,900.00	\$26,200.88	\$0.00	\$0.00	0
IWCC	\$1,370,875.00	\$122,312.00	\$13,750.00	\$34,938.00	\$62,000.00	\$445,088.00	188
TOTAL	\$4,691,826.88	\$122,312.00	\$46,700.00	\$79,954.88	\$62,000.00	\$445,088.00	188

Table 7 above shows Hawkeye Community College issued a new bond to refinance its Series 2008-1 bond. Indian Hills Community College issued a new bond to refinance its Series 2007 1A and 1B bond, as well as its Series 2009-1 bond. Iowa Western issued a combination bond that financed three new agreements, as well as refinancing its Series 2007-1 and 2009-1 bonds.

Generally, community colleges do not collect a fee on refinanced bonds unless new agreements are included, nor do they set aside a reserve fund. The training fund amount for HCC-2 and IHCC-2 indicates a zero amount because training funds were accounted for in the 2007, 2008, or 2009 bonds. Similarly, pledged new jobs for the HCC-2 and IHCC-2 bonds indicate zero, as the new jobs were also accounted for previously. IWCC shows a training fund amount and new jobs pledged because of the three new agreements included in the bond issuance.

Table 8
260E Total Bond Certificate Issuances, Regular and Refinanced Bond Certificates
Fiscal Year 2014

FY 2014 Bond Issuance	Bond Amount (Total Sources)	Community College Fee	State Admin. Fee	Other Issuance Costs	Capitalized Interest/ Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
Bonds	\$41,684,875.05	\$7,655,736.00	\$413,600.00	\$835,859.20	\$3,369,815.03	\$29,405,114.82	6,359
Refin. Bonds	\$4,691,826.88	\$122,312.00	\$46,700.00	\$79,954.88	\$62,000.00	\$445,088.00	188
2014 TOTAL	\$46,376,701.93	\$7,778,048.00	\$460,300.00	\$915,814.08	\$3,431,815.03	\$29,850,202.82	6,547

Fiscal Year 2013 Certificate Tables

The following tables show bond certificates issued in FY 2013.

Table 9
260E Bond Certificate Issuances
Fiscal Year 2013

FY 2013 Bond Issuance	Bond Amount (Total Sources)	Community College Fee	State Admin. Fee	Other Issuance Costs	Capitalized Interest/ Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
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	\$8,120,000.00	\$1,503,012.00	\$81,200.00	\$124,058.00	\$834,950.00	\$5,576,780.00	799
NICC 1	\$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
Total	\$45,432,842.92	\$ 8,361,136.50	\$ 452,150.00	\$ 894,363.76	\$ 2,976,984.38	\$32,748,208.28	5,468

In addition to the regular bond certificates issued in FY 2013, three refinancing bonds were also issued.

Table 10
260E Refinancing Bond Certificate Issuances
Fiscal Year 2013

FY 2013 Refinancing Bonds	Bond Amount (Total Sources)	Community College Fee	State Administrative Fee	Other Issuance Costs	Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
NICC-2	\$5,695,945.01	\$28,325.00	\$56,650.00	\$39,149.46	\$0.00	\$0.00	0
NICC-3	\$5,544,929.75	\$27,250.00	\$54,500.00	\$57,660.31	\$0.00	\$0.00	0
NICC-4	\$5,008,902.75	\$24,725.00	\$49,450.00	\$56,611.92	\$494,500.00	\$0.00	0
TOTAL	\$ 16,249,777.51	\$ 80,300.00	\$ 160,600.00	\$153,421.69	\$ 494,500.00	\$ 0.00	0

Northeast Iowa Community College issued five bonds in FY 2013. Two were regular bond issuances, and the other three were refinancing bonds. NICC-2 refinanced Series 2006, 2007 and 2008 bonds. NICC-3 refinanced a 2009 bond and NICC-4 refinanced a 2010 bond.

Table 11
260E Total Bond Certificate Issuances, Regular and Refinanced Bond Certificates
Fiscal Year 2013

College	Bond Amount (Total Sources)	Community College Fee	State Administrative Fee	Other Issuance Costs	Reserve Fund Amount	Training Fund Amount	Pledged New Jobs
Bonds	\$45,432,842.92	\$8,361,136.50	\$452,150.00	\$894,363.76	\$2,976,984.38	\$32,748,208.28	5,468
Refi. Bonds	\$16,249,777.51	\$80,300.00	\$160,600.00	\$153,421.69	\$494,500.00	\$0.00	0
2013 TOTAL	\$61,682,620.43	\$8,441,436.50	\$612,750.00	\$1,047,785.45	\$3,471,484.38	\$22,680,305.28	5,468

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.” The current number of open agreements, participating businesses and pledged new jobs are shown in the tables below. They reflect agreements entered into between FY 2004 and FY 2014.

Agreement Tables

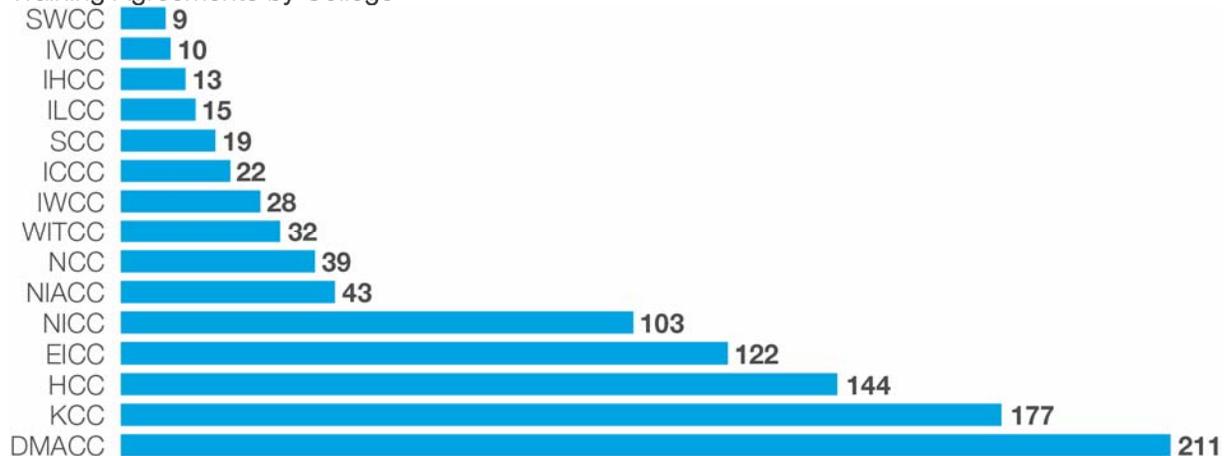
Table 12
260E Total Open Agreements
Fiscal Years 2004-2014

Number of Open Training Agreements	Number of Participating Businesses	Number of Pledged New Jobs
987	700	52,100

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

Graph 1

Training Agreements by College



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 are 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 certificates are paid off within seven years. Some colleges choose to not close the agreements until the 10-year time period for the bond certificate is concluded, even if the withholding payment obligation has been satisfied. After sufficient tax withholding payments to cover the principal and interest on a certificate have been received by the college, any additional withholding diversions should be discontinued. Iowa Code 260E.5 (2) provides "When the principal and interest on the certificates 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

260E is a key incentive for retention of existing Iowa industry and assisting new business to locate in Iowa. Of the current portfolio of open agreements, 81.5 percent were awarded for expansion projects and 18.5% for startups. (Table 13)

Table 13
Open Training Agreements
Expansions and Startups

Community College	Open Agreements	Businesses	Training Fund Amount	Certificate Amount	Expansions	Startups	Pledged New Jobs
DMACC	211	137	\$76,660,390.00	\$97,216,880.00	192	19	11,840
EICC	122	91	\$36,854,600.00	\$59,815,000.00	101	21	7,020
HCC	144	105	\$24,481,345.50	\$36,095,000.00	121	23	5,301
IHCC	13	11	\$4,310,017.00	\$6,405,000.00	10	3	830
ICCC	22	19	\$7,004,072.70	\$10,370,000.00	16	6	1,376
ILCC	15	13	\$3,917,503.85	\$5,820,000.00	11	4	889
IVCC	10	9	\$4,106,919.50	\$6,040,000.00	5	5	1,051
IWCC	28	24	\$9,660,557.37	\$14,330,000.00	18	10	2,457
KCC	177	106	\$37,828,110.00	\$50,160,000.00	156	21	7,378
NIACC	43	36	\$8,027,471.39	\$12,100,000.00	27	16	1,647
NICC	103	72	\$33,589,269.09	\$48,715,318.35	79	24	5,592
NCC	39	28	\$9,385,167.51	\$14,045,000.00	27	12	2,457
SCC	19	15	\$6,819,980.00	\$10,093,390.30	12	7	1,494
SWCC	9	9	\$3,670,836.84	\$5,470,000.00	3	6	914
WITCC	32	25	\$8,960,812.00	\$13,255,000.00	26	6	1,854
Total	987	700	\$275,277,052.75	\$389,930,588.65	804	183	52,100

260E supports startups and small businesses with 27.05 percent of open agreements for a business employing 10 or fewer employees, or in the case of a startup, hiring for the first time. (Table 14)

Table 14
Open Training Agreements
By Employer Size

Number of employees employed by business	Total Agreements	Total dollar amount of agreements	Average agreement amount by employer size	Pledged New Jobs
Startup	166	\$77,278,045.36	\$465,530.39	11,332
1 - 10	101	\$27,056,577.31	\$267,886.90	3,988
11 - 50	211	\$32,079,961.56	\$151,036.45	4,568
51 - 100	137	\$31,198,994.02	\$227,792.88	4,038
101 - 250	195	\$59,264,854.36	\$303,922.33	9,439
251 - 500	101	\$48,310,330.19	\$478,320.10	6,320
501 - 1,000	32	\$36,065,252.32	\$1,127,039.14	4,652
1,001 - 2,000	26	\$31,465,005.34	\$1,210,192.51	3,373
2001 - 5,000	12	\$28,667,338.18	\$2,389,778.18	2,396
5,001 - 8,593	6	\$18,534,500.00	\$3,089,083.33	1,994

Community College Annual Reporting

Program services for which 260E training funds may be expended are authorized pursuant to Iowa Code 260E.2. Community colleges are required to annually report to IEDA the nature of the expenditures.²⁴ When entering a new training agreement into the 260E data system, a college identifies how training funds are projected to be used by filling in a budgeted expenditure column. Categories for the budgeted column are based on statutorily approved training expenses.²⁵

Amounts entered into the “budgeted” column are projections. These costs become more firmly defined when the final agreement is entered into as expansion or location activities are initiated and related training implemented. Once training is initiated, the college is responsible for entering actual expenditures incurred to-date into the “actual” column of the annual report.

As part of the required information to be entered into the budgeted and actual expenditures columns, a college is to identify if training funds were used for On-the-Job Training (OJT), as well as the provider of formal training. These expenditures are presented in the 260E Data System Manual:

- **On-the-Job (OJT) Training Expenses:** Dollar amount for total training funds budgeted for OJT under the agreement. This amount is limited to up to 50 percent 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 percent of the total available training funds available for the project. “Annual Gross Wages” includes gross wages, salaries and benefits for the new jobs.

²⁴ IAC 261-5.9.

²⁵ Iowa Code section 260E.2 (14).

- **Community College:** Dollar amount of training funds budgeted through training provided by the community college.
- **Contractor:** 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.

Application of these definitions varies among the colleges, oftentimes due to the information systems used by the colleges to collect and classify information. For example, interpretation of “provider of training” differs among the colleges. Some colleges identify efforts undertaken by the college to assist a business to customize training for the new jobs, such as securing a particular vendor (contractor) as training delivered through the college. They input this information in the Community College provider field. Other colleges will enter this expenditure into the Contractor provider field. Additionally, some colleges did not always categorize OJT as a separate training category, and instead input OJT in the Employer provider field.

These differences are important to take into account in reviewing and comparing information in Table 15, which is intended to present information on how training for new jobs is delivered. IEDA and the community colleges have been working together to ensure that interpretation and classification of budgeted and actual expenditures for 260E training are clear, so that information for 2015 reporting is comprehensive and reported with consistency.

Training by provider data is compiled from information entered by the community colleges in their 2014 Annual Reporting section of the 260E centralized data system. This includes all open agreements, including agreements issued in 2014 for which no expenses have yet accrued. Contractor service includes those that may have been contracted and arranged by the community college, the employer or both.

Table 15
Community College Annual Reporting
Delivery of Training by Provider

	Total Provider Training Expenses	Community College	% of total	Contractor	% of total	Employer	% of total
DMACC	\$41,869,333.54	\$2,947,218.51	7.04%	\$0	0.00%	\$38,922,115.03	92.96%
EICC	\$14,620,913.98	\$3,934,423.33	26.91%	\$714,697.60	4.89%	\$9,971,793.05	68.20%
HCC	\$4,078,878.57	\$938,812.00	23.02%	\$2,523,106.78	61.86%	\$616,959.79	15.13%
IHCC	\$1,347,632.13	\$108,189.38	8.03%	\$0	0.00%	\$1,239,442.75	91.97%
ICCC	\$3,332,236.32	\$465,034.55	13.96%	\$0	0.00%	\$2,867,201.77	86.04%
ILCC	\$1,352,403.56	\$0	0.00%	\$37,250.00	2.75%	\$1,315,153.56	97.25%
IVCC	\$75,570.01	\$5,967.00	7.90%	\$69,603.01	92.10%	\$0	0.00%
IWCC	\$5,547,192.96	\$152,473.35	2.75%	\$501,041.14	9.03%	\$4,893,678.47	88.22%
KCC	\$10,731,954.45	\$550,303.49	5.13%	\$4,957,207.79	46.19%	\$5,224,443.17	48.68%
NIACC	\$1,747,186.87	\$684,858.53	39.20%	\$898,148.10	51.41%	\$164,180.24	9.40%
NICC	\$17,972,360.70	\$2,198,427.31	12.23%	\$3,619,602.64	20.14%	\$12,154,330.75	67.63%
NCC	\$2,490,756.85	\$266,623.20	10.70%	\$2,130,851.28	85.55%	\$93,282.37	3.75%
SCC	\$1,544,687.07	\$131,476.00	8.51%	\$749,790.03	48.54%	\$663,421.04	42.95%
SWCC	\$2,389,791.10	\$0	0.00%	\$0	0.00%	\$2,389,791.10	100.00%
WITCC	\$3,531,680.17	\$692,145.68	19.60%	\$2,256,318.90	63.89%	\$583,215.59	16.51%
Total	\$ 112,632,578.28	\$13,075,952.33	11.61%	\$18,457,617.27	16.39%	\$81,099,008.68	72.00%

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.²⁶ Currently, 38 defaults have been identified and reported, totaling \$4.8 million.

Although it appears that some businesses are not in compliance with their tax withholding payment and reporting requirements, based on data entered into the 260 data system, some colleges are not reporting defaults. 10 community colleges which reported defaults: EICC, IHCC, ILCC, IVCC, KCC, NIACC, NICC, SCC, SWCC and WITCC. Five colleges did not report defaults: DMACC, ICC, IWCC, HCC and NCC.

Conditions for default are identified within each college's training agreements. When placed in default, the Iowa Department of Revenue (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 that is due. Once the default is remedied, and entries completed in the 260E data system, withholding tax credits can once again be claimed.

"New Jobs" Wages

²⁶ 261 IAC 5.10(3).

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.” Since the establishment of the 260E program, administrative rule has required colleges to annually report on the number of employees in new jobs that were provided training and the median wage of new jobs for each training project.²⁷

IDED (predecessor agency to IEDA) did not routinely require submission of this information and some colleges did not routinely gather this data. As a result, complete information for these outcomes is not available prior to FY 2012. The Auditor noted this deficiency recommending IDED verify, review, and analyze 260E information every year in order to adequately report on the 260E.²⁸ With the establishment of the 260E data base, IEDA requires the following detail on new jobs:

- Total jobs pledged
- 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 FY 2013 and FY 2014, the average wage information associated with new jobs for the 987 open training agreements is shown below. (Table 16)

Table 16
260E Average Wage

Fiscal Year	Beginning Avg Hourly Wage	Ending Average Hourly Wage	Annual Average Wage Increase
2014	\$18.80	\$21.83	\$3.44
2013	\$18.61	\$23.61	\$4.60

Iowa Withholding Tax Diversion -

Reconciling Amounts Paid 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. The Auditor identified deficiencies related to the accurate and timely payment of 260E withholding by some businesses and the reconciliation of payments to tax credit claim.²⁹ Reconciling payments to tax credit claims is important. A 260E claim that cannot be documented can be considered a delinquent withholding liability by IDR and, as a result, subject to an assessment of penalty and interest.³⁰

²⁷ 261 IAC 5.9.

²⁸ <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).

²⁹ <http://publications.iowa.gov/7290/1/0860-8990-B0P1.pdf> (Auditor's 2009 Review of the 260E program, Finding F, pages 44 to 45).

³⁰ Iowa Code sections 260E.5 (5) and 15.330(2), 261 IAC 5.1(1).

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 (third party payroll vendor) normally submits returns electronically to IDR via the E-File and Pay system.³¹ 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 legally cannot be released without authorization.

Some payroll vendors are more efficient than others at providing E-File and Pay confirmation pages to the colleges. If a third party vendor is not timely, this impedes the ability of a college to reconcile withholding tax credits claimed by the business to the payments received by the college. This is problematic, as 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 17)

Table 17
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

Data colleges are required to enter into the 260E database for reconciling a withholding payment to a tax credit claim includes:

- Identification number of the training agreement
- Tax period year
- Tax period quarter
- Date of 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 are working together to support consistent withholding reconciliation. Monthly status reports from the 260E system are provided to the colleges to reflect the status of tax reconciliation for each open agreement. IEDA technical assistance is also available. Despite efforts by the colleges and IEDA to resolve the issues, the lack of timeliness by some third party payroll vendors remains a significant issue.

³¹ https://efilepay.idr.iowa.gov/iao_aaa/welcome.asp

260E Program Update

IEDA continues to fulfill its statutory duties to coordinate and review the 260E program. Much progress has been made in updating and maintaining data for the 260E Data System with ongoing information entered and maintained by all 15 community colleges. Monthly reports and status updates are provided to all colleges to ensure that current and accurate data is captured for all 260E agreements and bond issuances.

Through a collaborative effort with the community colleges, IEDA has developed and refined a 260E reporting and review protocol which will be implemented with all colleges to ensure that legislative intent for the program is being followed. This effort will also serve as a conduit to share best practices and lessons learned among all stakeholders. IEDA hosts quarterly update meetings with community college economic developers, business managers and staff to ensure a productive flow of communication for the ongoing implementation of the 260E. IEDA staff also continue to go onsite to the colleges to facilitate an effective partnership and program.

Iowa Jobs Training - 260F

Background

The Iowa Job Training Program became effective July 1, 1985. Authorizing legislation is found in Chapter 260F of the Iowa Code. It is commonly referred to as “260F.” Iowa Code 260F.7 directs the Iowa Economic Development Authority (IEDA) to adopt, amend or repeal administrative rules pursuant to Iowa Code Chapter 17A of the Iowa Administrative Procedure Act. Community colleges are to implement 260F in adherence with Iowa Administrative Code 261, Chapter 7. IEDA administers 260F program on behalf of the State of Iowa. Each of Iowa’s 15 community colleges implement and manage 260F within its merged area.

Summary

The 260F program is a business incentive program. It assists Iowa based businesses to train, develop and scale up work skills of their existing workforces to remain economically 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. Excluded are businesses in 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 that is involved in a strike, lockout or other labor dispute in Iowa, is not eligible.

Funding Allocation Set-Aside

Iowa Code Section 260F.6 establishes a job training fund under the control of IEDA in the Workforce Development Fund. The fund consists of monies appropriated by the General Assembly for 260F, plus the interest and principal from repayment of advances and interest earned from moneys in the fund. A distribution formula established by administrative rule directs that appropriated funds be allocated for the 260F program components based on a percentage amount, unless otherwise specified by the General Assembly.³²

Balances Carry Forward

Funds allocated to the colleges that are not used are carried forward into the next fiscal year. Monies allocated for approved training projects that remain unused also carry forward. Colleges work with businesses to identify and develop training plans. However, training needs are dynamic and may change over the course of a fiscal year.

Iowa Code Section 260F.8 provides that any portion of funds set aside for a community college that have not been used or committed by May 1 becomes available for IEDA to provide financial assistance to other colleges. Because of these two factors, amounts reflected for “awarded training dollars” for a fiscal year in the tables below include both the fiscal year allocation and the carry forward balances. Also, figures for “employees completing training” for all program components are subject to being updated, as training for several projects is ongoing and employees in these training projects are not yet counted. The completion of a training project is not required to coincide with the conclusion of the fiscal year.

³² 261 IAC 7.4.

Application Submittal

Community colleges enter into training agreements with Iowa businesses to provide program services for training for existing workforce.³³ A college submits to IEDA an application on behalf of the business. An application for an award of \$5,000 or greater requires a 25 percent cash match of the total cost of the project by the business. Awards less than \$5,000 do not require a cash match. The earliest date on which 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. A training agreement must be signed by the authorized representative of the college and the business on the same date.

Review Process

IEDA reviews applications submitted by community colleges using scoring criteria prescribed by administrative rule.³⁴ A college must enter into a training contract with the business within 90 days of notice of approval of an application. A college may apply to IEDA for an advance of the award moneys to pay for program costs as prescribed in the training agreement.³⁵ Businesses agree 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.³⁶ 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 is to provide:

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

Program Services

Program services which may be covered under 260F include:

- Training of 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

³³ Iowa Code section 260F.2 (11).

³⁴ 261 IAC 7.21.

³⁵ Iowa Code section 260F.6 (2).

³⁶ Iowa Code section 260F.2.11.

Community College Administrative Fee - based on 260E Indirect Rate

Community colleges' fees for managing the 260F program are eligible for program funding.³⁷ 260F fees are not to exceed the indirect rate charged by a community college for 260E administration. This is currently at 18.51 percent. Fiscal Year 2014 indirect rates used by the community colleges to calculate their 260F fees ranged from 10 percent to 18.51 percent.

Program Components

Through fiscal year 2014, three program components made up the 260F program. As provided for in administrative rule, appropriations totaling \$4 million were allocated to:

1. Iowa Jobs Training (individual and consortium) - \$2.7 million
2. Business Network - \$300,000
3. High Technology Apprenticeship - \$1 million

Iowa Jobs Training, \$2.7 Million - Based on General State Aid (GSA) Formula

These funds are allocated to the community colleges based on Iowa's General State Aid Formula. Funds may be used for two types of training projects. Awards may be made for an individual business's training project, or for a group of businesses that share a common training need. The maximum award amount for an individual business training project is \$50,000, not to exceed a total of \$100,000 within a three-year period. A group of businesses located in the same community college merged area may also apply. This type of project is referred to as a "community college consortium." The maximum award for a consortium project is \$100,000 per project.

Table 12
Iowa Jobs Training Program
Individual Business Awards

Fiscal Year	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
2014	186	4,815	2,292	\$3,018,503
2013	237	6,290	6,320	\$3,145,310

Table 13
Iowa Jobs Training Program
Community College Consortium Awards

Fiscal Year	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
2014	4	104	11	\$144,996
2013	2	59	103	\$31,444

³⁷ 261 IAC 7.9(1).

Business Network Training, \$300,000

A Business Network application requires the participation of two or more community colleges working with five or more businesses to address a common training need. A training project award may not exceed \$100,000 per participating college.

Table 14
Business Network Awards

Fiscal Year	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
2014	4	208	0	\$475,061
2013	1	18	0	\$100,000

High Technology Apprenticeships, \$1 million – Eligible Contact Hours Determined by IDE

\$1 million dollars per fiscal year is made available to community colleges for high technology apprenticeship programs. Distribution of these funds is based upon “related eligible contact hours” administered by a college under the program during the prior fiscal year. Eligible contact hours are determined by the Iowa Department of Education (IDE). Typically, six to seven of the community colleges have this type of hours.

Application Process

An eligible applicant under this component of the program is an apprenticeship program registered with the United States Department of Labor (DOL) Office of Apprenticeship (OA). To access the funds distributed to the colleges, an eligible applicant must submit an application to the community college. The application is then submitted to IEDA for approval. If the application is approved, the applicant receives an award letter from IEDA stating the conditions of the award. After receiving the award letter, the applicant must enter into a contract with the college within ninety days. After the project is complete, the applicant must submit a performance report informing IEDA of the number of persons who participated in the training.

Table 15
High Technology Apprenticeship Awards

Fiscal Year	Total Awards	Anticipated to be Trained	Completing Training	Achieving Journeyperson Status	Training Dollars Awarded within FY
2014	95	4,250	4,702	616	\$2,156,502
2013	9	663	564	104	\$223,491

Fiscal Year 2015 Legislative Changes

In 2014, the General Assembly enacted HF 2450, which increased the amount appropriated to the workforce development fund from \$4 million to \$6 million for Fiscal Year 2015. Approximately \$3 million was allocated to 260F and the Business Network and High Technology Apprenticeship components were repealed. The other \$3 million was allocated to IEDA for purposes of the new Iowa Apprenticeship Act as provided for in chapter 15B of the Iowa code. This new program is described in the last section of this report.

Accelerated Career Education Program Act - 260G

Background

The Accelerated Career Education (ACE) Program became effective July 1, 1999. Authorizing legislation is found in Chapter 260G of the Iowa Code. It is commonly referred to as “260G.” Iowa Code 260G directs the Iowa Economic Development Authority (IEDA) to adopt, amend or repeal administrative rules pursuant to Chapter 17A of the Iowa Code, Administrative Procedures Act. Chapter 20 of the Iowa Administrative Code establishes how 260G is implemented. IEDA administers 260G on behalf of the State of Iowa. Each of Iowa’s 15 community colleges implement and manage 260G within its merged area.

Summary

260G is a business incentive program intended to help develop a workforce pool of individuals skilled in occupations most needed by Iowa business. It assists Iowa community colleges to expand current training programs or to establish 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. Excluded are retail, health and professional services.

Program Agreements

A community college enters into a program agreement with a business to establish or expand a 260G training program. An agreement may include reasonable and necessary provisions to implement the 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 percent of the program costs
- Tuition, student fees or special charges fixed by the college’s board of directors
- Guarantee of payments by the business

Terms of an agreement must specify the required match and the type and amount of funding sources that will cover program costs. A description of program services and implementation schedule must be provided, in addition to specifying that an agreement shall not exceed a period of five years.

Program costs

All necessary and incidental costs of providing program services pursuant to a program agreement are eligible 260G program costs and may include:³⁸

- Programs needs and development
- Job task analysis
- Curriculum development and revision
- Instruction

³⁸ Iowa Code section 260G.2 (15).

- 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 that are determined in the following manner:

- A business agrees to sponsor a certain number of positions in the training program and enters into an agreement with the college
- The 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.
- A job credit is then based upon the hiring wage that the business would pay to an individual completing the training program's requirements.³⁹ The business may claim up to ten percent of the hiring wage as a credit

Instead of paying all Iowa withholding tax due to the state of Iowa, the business diverts a portion of this amount to the community college. The diverted portion is equal to the approved 260G job credit amount. The business pays the amount of the credit quarterly to the community college in lieu of payment to the Iowa Department of Revenue (IDR). These payments are used to offset 260G program costs. Upon paying a college, a business may claim this 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 certify to IDR that the credit claimed is in accordance with the program agreement.⁴⁰ 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.

Statewide Funding Allotment

Iowa Code establishes the total amount of program job credits which may be allocated statewide in any one fiscal year. The total allocated amount is not to exceed \$5.4 million.⁴¹ 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 General Aid formula.⁴²

Funding Cycle - Awarding Job Credits

April 1

IEDA is directed to maintain an annual record of the proposed use of job credits by each college. Community colleges are required to submit their anticipated program agreements to IEDA by April 1. Submittal of program agreements (or a letter of intent that 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

³⁹ The minimum wage that a credit may be based on is two hundred percent of the federal poverty guideline for a family of two

⁴⁰ Iowa Code section 260G.4A (2).

⁴¹ Iowa Code section 260G.4B.

⁴² 261 IAC 20.14(1).

allotment. For example, in order for a college to retain its job credit allotment for Fiscal Year 2014, which commences July 1, 2013, a college was required to submit its program agreements or a letter of intent to IEDA by April 1, 2014.

May 1

Any job credit allotments for which program agreements have not been 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. Not every community college will use the allotted job credits. Colleges that are not currently using the allotment include: EICC, IHCC, KCC, NICC and SCC. Colleges with 260G agreements in place with participating businesses for Fiscal Year 2014 are shown below. (Table 16)

Table 16
260G Job Credits
Fiscal Year 2014

Community College	Number of Agreements	Number of Participating Businesses	Number of Sponsored Positions	Awarded Job Credits
DMACC	9	51	936	\$3,172,632.00
HCC	3	12	78	\$268,758.00
ICCC	4	11	50	\$142,261.00
ILCC	2	8	44	\$174,400.00
IVCC	5	7	34	\$98,516.00
IWCC	2	14	34	\$51,715.00
NCC	4	25	98	\$320,528.00
NIACC	3	8	60	\$232,744.00
SWCC	1	3	20	\$62,600.00
WITCC	6	6	77	\$293,690.00

Program Update

Beginning in May 2015, IEDA will make available to the community colleges a centralized electronic data system for 260G. The system will be used by community colleges to enter required program data. This will include information such as program agreements reflecting the number of sponsored positions and calculated job credit available to the participating business. The system will also provide for reporting and reconciling payments received by the college from a business with the amount claimed for a job credit.

As required by administrative rule⁴³ IDR will be notified of IEDA's approval of a 260G job credit award for a project agreement submitted by the college to IEDA. In addition to notifying colleges of IEDA's award approval, participating businesses will be copied to ensure that they are aware of 260G program requirements.

⁴³ 261 IAC 20.15(3)

Iowa Apprenticeship Training Program Act - 15B

Background

The Iowa Apprenticeship Training Program Act was enacted by the Iowa Legislature in 2014. Authorizing legislation is found in Chapter 15B of the Iowa Code. It is commonly referred to as “15B.” IEDA administers 15B on behalf of the State of Iowa and is directed to adopt administrative rules pursuant to Chapter 17A of the Iowa Code, Administrative Procedures Act. Chapter 12 of the Iowa Administrative Code establishes how 15B is implemented.

Summary

The purpose of 15B is to increase the number of registered apprentices in Iowa by assisting eligible apprenticeship programs in the form of training grants. IEDA administers the Act in coordination with the United States Department of Labor (DOL) Office of Apprenticeship (OA). Programs that register with DOL/OA voluntarily choose to come under various state and federal requirements affecting the conduct and quality of training. U.S. DOL/OA is responsible for protecting the safety and welfare of apprentices, issuing nationally recognized certificates of completion and ensuring that programs provide high quality training and produce skilled, competent workers.

An apprenticeship program registered with U.S. DOL is known as a “sponsor.” A “lead sponsor” is a trade organization, labor organization, employee organization or other incorporated entity representing a group of registered apprenticeship sponsors. Only a sponsor or lead sponsor is eligible to apply for 15B training grants.

Funding

An apprenticeship training fund is created as a revolving fund in the State Treasury under the control of the IEDA.⁴⁴ \$3 million was appropriated for the fund for Fiscal Year 2015. No more than two percent of the moneys may be used for administration. Training grant funds may only be used towards the cost of conducting and maintaining an apprenticeship training program.

15B Allocation Formula

Iowa Code section 15B.4 establishes a statutory formula to allocate training grants. Each sponsor or lead sponsor applying for a training grant must submit its total number of registered apprentices and related technical instruction (RTI) hours for the most recent training year.⁴⁵ The total number of registered apprentices and RTI 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.

Key Timelines

Funding is appropriated for the apprenticeship fund for the state fiscal year which runs July 1 to June 30. IEDA is to award training grants for the most recent training year, which is defined as January 1 to December

⁴⁴ Iowa Code section 15B.3 (1).

⁴⁵ 261 IAC 12 defines “training year” as the most recent calendar year.

31. A sponsor or lead sponsor must submit a training grant application on or before February 1 to allow for the determination of statewide contact hours.⁴⁶

Application Requirements

An electronic data system has been created to enable a sponsor or lead sponsor to apply for a 15B training grant. The Information that must be submitted for consideration includes:

- Name of the registered apprenticeship program and its DOL/OA identification number
- Apprentlicable occupations represented by the application
- Federal DOL/OA identification number for each registered apprentice
- Total annual hours for in-person training for related technical instruction (RTI)
- Address and physical description for each location where RTI is conducted
- Copy of the most recent DOL/OA registration certificate. If applying as a lead sponsor, a sampling of copies of members' registration certificates and each member's DOL/OA identification number
- Copy of the most recent DOL/OA compliance review (CR) or quality assessment (QA). If applying as a lead sponsor, a sampling of copies of members' CRs or QAs
- Affidavit asserting compliance with environmental and worker safety, employment at Iowa work site, and allowable use of funds

Information on applications received for FY 2015 funding, applicable occupations supported and number of training grants awarded to sponsors and lead sponsors will be reflected in next year's annual workforce report.

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⁴⁶ For Fiscal year 2015 funding, the application due date is on or before April 1 to allow for the effective date of administrative rules. In subsequent funding rounds the application due date will be on or before February 1.

Appendix – 260E Program

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.⁴⁷

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.⁴⁸

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

⁴⁷ Municipal Securities Rulemaking Board <http://www.msrb.org/Municipal-Bond-Market/How-the-Market-is-Regulated/Milestones-in-Municipal-Securities-Regulation.aspx>

⁴⁸ SEC Office of Municipal Securities 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 review and reporting of information submitted by the community colleges to the centralized 260E database and Transcript and Reimbursement Data Systems maintained by individual colleges
- 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 (SCC)
- Southwestern Community College (SWCC)
- Western Iowa Tech Community College (WITCC)

