

IEDA is charged by the Iowa General Assembly with coordinating four programs that deliver customized training to Iowa business and industry:

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

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

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

### **Program Information – Two Sources**

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

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

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

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

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

Each college maintains its transcript and reimbursement system and certain components of the system may vary among colleges. For example, DMACC has invested in a comprehensive transcript data system which several other community colleges have adopted. Other community colleges have developed their own systems using outside contractors or have maintained a Datatel transcript system normally used for traditional students with coding parameters to differentiate 260E employees. A couple of colleges maintain a system of spreadsheets to track all 260E new jobs employees

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

This section describes how the 260E is funded through public debt financing by selling bond certificates in the municipal bond market, Fiscal Year 2015 and 2014 certificate sales,<sup>4</sup> 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. As 260E operations are ongoing, additional certificates may have been sold, training agreements executed, and other activities conducted since this report was prepared.

## Summary

The 260E program is a business incentive program. It shares in the cost of training employees in new jobs created by a business expansion or startup in Iowa. An eligible business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing or assembling products, conducting research and development, or providing services in intrastate commerce. Retail, health, and professional services are excluded. 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.

Community colleges enter into training agreements<sup>5</sup> 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 go to the municipal securities market to sell about \$46 million in certificates.<sup>6</sup> A rule of thumb for the dollar

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

<sup>4</sup> Fiscal Years 2014 and 2015 bond certificate sales per date of the Official Statements.

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

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

amount representative of the interest paid on a certificate is 10-15 percent of the par amount, or face value, of the certificates issued.<sup>7</sup>

A 260E bond certificate issuance is described and presented in an Official Statement (OS) prepared by the financial advisor retained by the college. The purpose of the OS is to provide accurate and complete information about the securities transaction 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 bond certificates proceeds to:

1. Pay fees and expenses for issuing certificates
2. Reimburse businesses for training workers in new jobs
3. Cover 260E administrative costs, and
4. Partially fund General Administration and General Institution overhead of the community colleges

## **Bond Certificate Repayment**

Principal and interest on certificate proceeds borrowed by colleges are payable from sources identified in training agreements. Businesses pay the community colleges by diverting a portion of Iowa income withholding taxes generated from the new 260E jobs to the college, rather than paying it to the State. A business may claim the amount paid to the college as a tax credit, effectively reducing its Iowa withholding tax obligation. By law, a business must pay a college before claiming a credit.<sup>8</sup> Source of funds available for bond certificate repayment may be any one of the following, or a combination of them:

### **Repayment sources**

New jobs withholding credits (base) – Instead of paying all Iowa withholding tax due to the State of Iowa on wages associated with the new jobs, a business diverts a portion of this amount to the college. This payment is equal to 1.5 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.”

New jobs withholding credits (supplemental) – Additional payment equivalent to 1.5 percent of gross wages paid on new jobs is authorized by Iowa 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.

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<sup>7</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.

<sup>8</sup> 261 IAC 261 5.6(1).

If a business does not create new jobs and, as a result, lacks the anticipated Iowa income tax withholding for payment, it may use withholding from its existing workforce to meet its payment obligation.<sup>9</sup> Withholding from other businesses may also be used to make up a shortfall if the 260E training for the other businesses was financed by the same certificate.

Between Fiscal Year 2001 and Fiscal Year 2015, colleges awarded \$628,036,333 in new jobs withholding credits. (Table 1)

Incremental Property Tax – The increase in incremental property tax generated because of a 260E site location or expansion may be diverted as payment to a college and forgone by local government. Approximately \$69,425,000 of incremental property tax has been foregone by local governments for payment to colleges since the start of the program. The use of this repayment source had decreased sharply, down to just \$33,716.00 in 2015.

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

### **Iowa New Jobs Tax Credit (NJC)**

A business participating in the 260E program may be eligible to claim a one-time New Jobs Tax Credit (NJC). Iowa Code sections 422.11A and 422.33(6) authorize a business which has increased its base employment level by at least ten 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 during the tax year selected by the business against corporate income taxes or, where the business is a pass-through entity, on individual income taxes.

The credit equals six percent of the taxable wages which the employer is required to contribute to the State unemployment compensation fund (\$1,638 per job created in 2015) 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. \$28,182,500 has been claimed from Fiscal Year 2007 to Fiscal Year 2015. (Table 1).

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<sup>9</sup> Iowa Code section 260.5(2).

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

**Table 1**  
Iowa Department of Revenue  
260E Tax Credits from the Contingent Liabilities Report, October 2015<sup>10</sup>

	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
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	\$40,305,000	\$42,763,460	\$31,738,879	n/a	n/a
FY 2007	\$60,110,000	\$46,110,828	\$43,956,461	\$4,421,145	\$48,377,606
FY 2008	\$58,680,730	\$43,088,634	\$48,302,566	\$4,608,919	\$52,911,485
FY 2009	\$48,925,000	\$52,783,363	\$47,541,786	\$4,500,047	\$52,041,833
FY 2010	\$32,127,000	\$46,848,545	\$47,781,488	\$2,969,211	\$50,750,699
FY 2011	\$40,755,000	\$49,581,137	\$45,892,441	\$2,348,303	\$48,240,744
FY 2012	\$48,500,000	\$49,411,803	\$48,660,167	\$2,827,592	\$51,487,759
FY 2013	\$40,990,727	\$43,442,742	\$43,553,400	\$3,114,433	\$46,667,833
FY 2014	\$38,667,132	\$37,808,330	\$41,564,272	\$1,731,766	\$43,296,038
FY 2015	\$39,045,994	\$31,427,618	\$34,445,870	\$1,661,084	\$36,106,954
<b>TOTAL</b>	<b>\$628,036,333</b>	<b>\$526,152,616</b>	<b>\$433,437,330</b>	<b>\$28,182,500</b>	<b>\$429,880,951</b>

## 260E Agreements

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

### Program services

- New jobs training
- Adult basic education and job-related instruction
- Vocational and skill-assessment services and testing

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

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

- 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

### Agreement conditions

- Must identify costs to be incurred and the minimum amounts of guaranteed revenue sources to pay for such costs
- Provide that program costs must be paid within ten years from the date a training project commences
- Identify the length of time that 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's property until paid in full

### Documents that must be submitted 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,<sup>12</sup> 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.

### Indirect Cost Rate

260E program training agreements cover program costs<sup>13</sup> which, by statute, are the necessary and incidental costs of providing program services of the 260E.<sup>14</sup> Colleges are not reimbursed for directly incurred costs,

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

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

but at an indirect rate established by Iowa Administrative Code.<sup>15</sup> This rate is based on the community colleges' combined General Administration and General Institution expenditures as a percentage of the 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.

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

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

Functions five and nine expenditures are totaled and divided into the sum of all expenditures for a percentage. This percentage establishes the eligible indirect rate. The colleges must have the indirect rate at the start of the State of Iowa 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 2014 financial data is used to calculate the rate for FY 2016. (Table 2)

**Table 2**  
**260E Indirect Cost Rate Calculation**  
**Fiscal Years 2012 through 2016<sup>18</sup>**

Fiscal Year Financial Data	Administrative Function 5	Administrative Function 9	Total Expenditures	Calculated Indirect	For Fiscal Year
2010	\$33,879,257	\$68,319,825	\$504,179,540	20.27%	2012
2011	\$32,846,251	\$69,600,224	\$529,112,811	19.36%	2013
2012	\$35,131,272	\$69,475,026	\$541,290,829	19.33%	2014
2013	\$33,694,159	\$71,629,533	\$552,488,022	19.06%	2015
2014	\$35,024,744	\$72,442,077	\$555,360,825	19.35%	2016

### **Community College Fee – 18.51%**

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

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

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

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

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

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

**Table 3**  
**260E Calculated Indirect Cost Rate and Approved Rate**  
**Fiscal Years 2006 to 2016<sup>19</sup>**

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

### Bond Certificate Sales

Community colleges sold thirty-one bond certificates during Fiscal Years 2015 and 2014. This provided a total of \$84,286,776.25 in certificate proceeds allocated as follows:

- Training Funds - \$56,843,794.93
- Community College Fees – \$14,775,753.50
- State Fee - \$838,350.00
- Other Cost of Issuance Fees - \$1,579,501.27
- Capitalized Interest /Reserve Fund<sup>20</sup> - \$5,828,122.55

These issuances are financing 243 training agreements with 240 participating businesses<sup>21</sup> pledging 10,777 new jobs. A business may have more than one agreement with a community college or colleges. (Tables 4 and 5)

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

<sup>20</sup> Other costs of issuance includes expenses such as financial advisor, bond counsel, and underwriter fees.

<sup>21</sup> A business may have more than one agreement with a community college or colleges. A college will serve businesses located in its merged area.

**Table 4**  
**260E Bond Certificate Issuance**  
**Fiscal Year 2015 and 2014**

FY	Bond Amount (Total Sources)	Reserves	Training Fund	College Fee	State Fee	Other Issuance Costs	Pledged New Jobs
'15	\$37,910,074.32	\$2,396,307.52	\$27,438,680.11	\$6,997,705.50	\$378,050.00	\$663,687.19	4,230
'14	\$46,376,701.93	\$3,431,815.03	\$29,850,202.82	\$7,778,048.00	\$460,300.00	\$915,814.08	6,547
<b>Tot</b>	<b>\$84,286,776.25</b>	<b>\$5,828,122.55</b>	<b>\$56,843,794.93</b>	<b>\$14,775,753.50</b>	<b>\$838,350.00</b>	<b>\$1,579,501.27</b>	<b>10,777</b>

**Table 5**  
**Proceeds, Businesses and Agreements**  
**Fiscal Years 2015 and 2014**

Fiscal Year	Bond Amount (Total Sources)	Participating businesses	Training Agreements	Pledged New Jobs
2015	\$37,910,074.32	97	98	4,230
2014	\$46,376,701.93	143	145	6,547

Some community colleges sell no 260E bond certificate during a fiscal year, while other colleges may have more than one issuance. Colleges also refinance certificates to take advantage of lower interest rates and costs savings. In Fiscal Year 2015, eight of the fifteen community colleges sold certificates. In Fiscal Year 2014, fourteen colleges had bond certificate sales.

Information concerning Fiscal Years 2015 and 2014 certificate issuance and use of proceeds is reflected on Tables 6 – 11. Colleges are listed alphabetically. Data provided in the tables includes:

- Bond Amount (Total Sources) – Funds raised through the sale of bond certificates (includes par amount plus interest, premiums, and discounts)
- Community College Fee – Allocated for community college administrative fee (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

The following tables show bond certificates issued in Fiscal Year 2015. No refinancing bonds were issued during FY 2015.

**Table 8**  
**260E Total Bond Certificate Issuances**  
**Fiscal Year 2015**

FY 2015 Bonds Issued	Bond Amount (Total Sources)	Community College Fee	State Administrative Fee	Other Issuance Costs	Capitalized Interest Reserve Fund Amount	Training Fund Amount	New Jobs Pledged
DMACC	\$7,160,000.00	\$1,325,316.00	\$71,600.00	\$143,200.00	\$35,644.00	\$5,584,240.00	929
EICC	\$3,368,975.57	\$619,159.50	\$33,450.00	\$120,542.35	\$345,823.72	\$2,250,000.00	394
HCC	\$1,830,000.00	\$338,733.00	\$18,300.00	\$44,077.60	\$112,010.80	\$1,316,878.60	221
ILCC	\$1,305,000.00	\$241,555.50	\$13,050.00	\$37,140.00	\$126,235.00	\$887,019.50	131
KCC	\$13,609,210.15	\$2,514,583.50	\$135,850.00	\$128,857.15	\$679,250.00	\$10,150,669.50	1642
NICC	\$4,515,994.70	\$832,950.00	\$45,000.00	\$74,724.19	\$450,000.00	\$3,113,320.51	450
SCC	\$4,710,893.90	\$864,417.00	\$46,700.00	\$77,100.90	\$537,028.00	\$3,185,648.00	312
WITCC	\$1,410,000.00	\$260,991.00	\$14,100.00	\$38,045.00	\$145,960.00	\$950,904.00	151
<b>TOTAL</b>	<b>\$37,910,074.32</b>	<b>\$6,997,705.50</b>	<b>\$378,050.00</b>	<b>\$663,687.19</b>	<b>\$2,431,951.52</b>	<b>\$27,438,680.11</b>	<b>4230</b>

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

**Table 9**  
**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
<b>TOTAL</b>	<b>\$41,684,875.05</b>	<b>\$7,655,736.00</b>	<b>\$413,600.00</b>	<b>\$835,859.20</b>	<b>\$3,369,815.03</b>	<b>\$29,405,114.82</b>	<b>6,359</b>

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

**Table 10**  
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
<b>TOTAL</b>	<b>\$4,691,826.88</b>	<b>\$122,312.00</b>	<b>\$46,700.00</b>	<b>\$79,954.88</b>	<b>\$62,000.00</b>	<b>\$445,088.00</b>	<b>188</b>

### Open Training Agreements

Iowa Code 260E.2 (15) defines a 260E project as “a training arrangement which is the subject of an agreement entered into between a community college and an Iowa business to provide program services.” Currently open agreements, participating businesses, and pledged new jobs are shown in the tables below. The figures reflect agreements entered into between FY 2005 and FY 2015

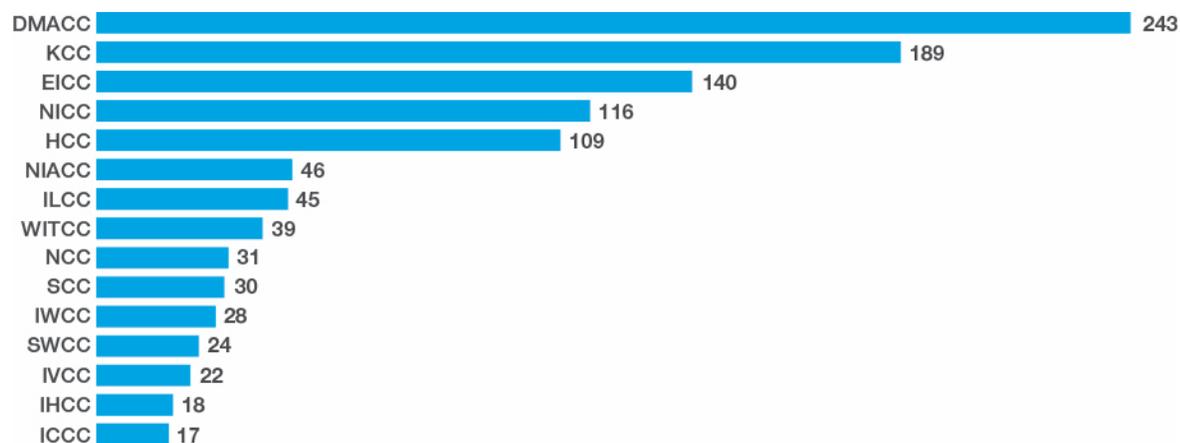
### Agreement Tables

**Table 12**  
260E Total Open Agreements  
Fiscal Years 2005-2015

Number of Open Training Agreements	Number of Participating Businesses	Number of Pledged New Jobs
1,097	745	58,328

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

**Graph 1**  
260E Training Agreements by College - 2015



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 ten-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 do not close out the agreements until the ten-year time period for the bond certificate is concluded, even though the withholding payment obligations by the participating businesses have been satisfied. Once 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 or deposited into the general fund pursuant to Iowa Code 260E.5 (2), which provides that “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

The 260E program is a key incentive for retention of existing Iowa industries and assisting new businesses that locate in Iowa. Of the current portfolio of open agreements, 82.5% are for expansions of existing industry and 17.5% for new startups. (Table 13)

**Table 13**  
**Open Training Agreements**  
**Expansions and Startups**

Community College	Open Agreements	Businesses	Training Fund Amount	Certificate Amount	Expansions	Start ups	Pledged New Jobs
DMACC	243	155	\$82,244,630.00	\$104,662,000.00	224	19	12769
EICC	140	96	\$37,192,650.00	\$60,255,000.00	115	25	7704
HCC	109	80	\$23,077,391.10	\$33,900,000.00	94	15	4645
IHCC	18	14	\$6,131,348.00	\$9,150,000.00	14	4	1145
ICCC	17	15	\$6,805,618.70	\$9,985,000.00	14	3	1193
ILCC	45	24	\$7,939,825.02	\$11,870,000.00	38	7	1821
IVCC	22	18	\$6,214,300.50	\$9,200,000.00	15	7	1888
IWCC	28	24	\$9,660,557.37	\$14,330,000.00	18	10	2457
KCC	189	108	\$45,700,111.50	\$60,865,000.00	169	20	8555
NIACC	46	38	\$8,105,933.39	\$12,210,000.00	30	16	1696
NICC	116	78	\$35,215,796.36	\$51,041,312.35	90	26	5912
NCC	31	23	\$7,527,319.51	\$11,255,000.00	22	9	1903
SCC	30	25	\$11,539,262.50	\$17,048,390.30	17	13	2404
SWCC	24	18	\$8,030,265.84	\$11,895,000.00	16	8	1924
WITCC	39	29	\$10,794,269.00	\$15,985,000.00	29	10	2312
<b>Total</b>	<b>1,097</b>	<b>745</b>	<b>\$306,179,278.79</b>	<b>\$433,651,702.65</b>	<b>905</b>	<b>192</b>	<b>58,328</b>

27.6% of open agreements are with businesses employing ten or fewer employees, or in the case of a start-up, 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	177	\$86,874,150.36	\$452,469.53	12,951
1 - 10	111	\$33,398,230.31	\$300,884.96	4,388
11 - 50	222	\$32,983,870.56	\$148,575.99	4,794
51 - 100	147	\$32,517,994.03	\$221,210.84	4,281
101 - 250	217	\$62,533,305.36	\$288,171.91	10,062
251 - 500	130	\$61,090,936.19	\$469,930.28	8,061
501 - 1,000	46	\$48,449,872.32	\$1,053,258.09	5,964
1,001 - 2,000	26	\$29,755,005.34	\$1,144,423.28	3,441
2001 - 5,000	16	\$33,288,838.18	\$2,080,552.39	3,152
5,001 - 8,593	5	\$17,054,500.00	\$3,410,000.00	1,869

## Annual Reporting by Community Colleges

Community colleges are required to annually report to IEDA how 260E training funds have been spent.<sup>22</sup> When entering a new training agreement into the 260E data system, a college sets out its projection of how training funds will be spent by filling in a budgeted expenditure column. Categories for the budgeted column are based on training expenses<sup>23</sup> authorized pursuant to Iowa Code and administrative rules.

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

As part of the annual reporting of budgeted and actual expenditures, a college is required to identify whether training dollars were spent for On-the-Job Training (OJT) and the provider of formal training. The descriptions of these categories as reflected 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 fifty 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 fifty percent of the total available training funds available for the project. “Annual Gross Wages” includes gross wages, salaries, and benefits for the new jobs.

<sup>22</sup> 261 IAC 5.9.

<sup>23</sup> Iowa Code section 260E.2 (14).

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

**Contracted:** Dollar amount of training funds budgeted through training provided by a contractor.

**Employer:** Dollar amount of training funds budgeted through training provided by the employer.

Use of these descriptions for entering the provider of training and OJT expenses varies among the community colleges, dependent primarily on how a college's information system collects and classifies information. For example, some colleges that assist a business with "customizing" training for the new 260E jobs (e.g. securing a particular vendor or contractor) categorize this as training delivered by the college and therefore record this in the Community College field. Other colleges input this type of expenditure into the Contracted field. As a result, contracted expenditures may include training arranged ranged by the college, the employer, or both. These differences in how the community colleges categorize and input provider expense are important to take into account when reviewing Table 15 below. Information for Table 15 is from data entered by the colleges in the 2015 Annual Reporting section for all open agreements, including agreements issued in 2015 for which no expenses have yet accrued.

**Table 15**  
**Community College Annual Reporting**  
**Training by Provider**

	Total Provider Training Expenses	Community College	% of total	Contracted	% of total	Employer	% of total
<b>DMACC</b>	\$49,580,905.71	\$3,150,595.76	6.35%	-	0.00%	\$46,430,309.95	93.65%
<b>EICC</b>	\$13,385,751.90	\$2,730,373.93	20.40%	\$1,221,912.80	9.13%	\$9,443,465.17	70.55%
<b>HCC</b>	\$2,968,952.83	\$822,710.33	27.71%	\$1,829,172.18	61.61%	\$317,070.32	10.68%
<b>IHCC</b>	\$1,423,023.39	\$108,189.38	7.60%	-	0.00%	\$1,314,834.01	92.40%
<b>ICCC</b>	\$263,667.47	\$231,757.11	87.90%	-	0.00%	\$31,910.36	12.10%
<b>ILCC</b>	\$2,074,139.00	\$19,528.00	0.94%	-	0.00%	\$2,054,611.00	99.06%
<b>IVCC</b>	\$275,565.94	\$23,218.16	8.43%	\$252,347.78	91.57%	-	0.00%
<b>IWCC</b>	\$5,533,085.40	\$146,719.87	2.65%	\$551,754.15	9.97%	\$4,834,611.38	87.38%
<b>KCC</b>	\$11,633,996.09	\$536,459.01	4.61%	\$5,057,118.48	43.47%	\$6,040,418.60	51.92%
<b>NIACC</b>	\$1,945,909.40	\$728,638.79	37.44%	\$968,279.42	49.76%	\$248,991.19	12.80%
<b>NICC</b>	\$17,356,722.74	\$2,687,736.64	15.49%	\$2,957,193.90	17.04%	\$11,711,792.20	67.48%
<b>NCC</b>	\$2,342,662.77	\$226,776.69	9.68%	\$1,892,509.22	80.78%	\$223,376.86	9.54%
<b>SCC</b>	\$1,432,728.66	\$123,283.00	8.60%	\$1,023,899.79	71.47%	\$285,545.87	19.93%
<b>SWCC</b>	\$2,389,791.10	-	0.00%	-	0.00%	\$2,389,791.10	100.00%
<b>WITCC</b>	\$2,407,623.92	\$823,309.40	34.20%	\$1,061,118.72	44.07%	\$523,195.80	21.73%
<b>Total</b>	<b>\$ 115,014,526.32</b>	<b>\$12,359,296.07</b>	<b>10.75%</b>	<b>\$16,815,306.44</b>	<b>14.62%</b>	<b>\$85,849,923.81</b>	<b>74.64%</b>

## Training Agreements - Defaults

A default on a 260E training agreement occurs when a business does not pay back, in part or in whole, its withholding payment to a community college. Colleges are directed by statute to promptly notify IEDA when a default is identified.<sup>24</sup> 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 has been remedied and entries have been completed in the 260E data system, withholding tax credits can once again be claimed.

Currently, fifty-four defaults by participating businesses have been identified and reported. The total amount for these reported defaults is \$5,903,097.03. Twelve community colleges reporting defaults include: EICC, HCC, IHCC, ILCC, IVCC, KCC, NIACC, NICC, NCC, SCC, SWCC, and WITCC. Colleges not reporting defaults include DMAACC, ICC, and IWCC.

Based on data entered into the 260E system, it appears that some businesses are out of compliance with their 260E withholding payment and reporting requirements. However, the colleges that have 260E contracts with the businesses have not placed them in default.

## “New Jobs” Wages

Code section 260E.2 (10) defines a new job as “a job in a new or expanding industry, but does not include jobs of recalled workers, replacement workers, or other jobs that formerly existed in the industry in the state of Iowa.” Community colleges are required to annually report on the number of employees in new jobs that were provided training and the median wage of new jobs for each training project.<sup>25</sup>

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

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

For Fiscal Years 2015 and 2014, the average wage information associated with new jobs for the 1,097 open training agreements is shown below. (Table 16)

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<sup>24</sup> 261 IAC 5.10(3).

<sup>25</sup> 261 IAC 5.9.

**Table 16**  
260E Average Wage

Fiscal Year	Beginning Avg Hourly Wage	Ending Hourly Wage	Annual Average Wage Increase
2015	\$19.50	\$22.93	\$3.43
2014	\$18.80	\$21.83	\$3.44

## 260E Withholding Tax Diversion

### Reconciling Payments Made to Community Colleges with Tax Credits Claimed by Businesses

Diversion of employer tax withholding is the primary repayment source for paying off 260E bond certificates. Businesses are required to submit withholding quarterly returns to IDR by the last day of the month following the end of the tax quarter. A business or its authorized provider (third party payroll vendor) normally submits returns electronically to IDR's E-File and Pay system.<sup>26</sup> The system provides a confirmation page to the filer that reports all withholding tax credits claimed on the return. Returns submitted to IDR are confidential tax information and legally cannot be released without authorization by the taxpayer.

Some payroll vendors are more efficient than others at providing E-File and Pay confirmation pages to the colleges. Failure by a third party vendor to provide information in a timely manner impedes the ability of a college to reconcile withholding tax credits claimed by the business with the payments received by the college. This is problematic, as colleges are required to enter and reconcile claims into the 260E data system within thirty 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

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

- Identification number of the training agreement
- Tax period year
- Tax period quarter

<sup>26</sup> [https://efilepay.idr.iowa.gov/iao\\_aaa/welcome.asp](https://efilepay.idr.iowa.gov/iao_aaa/welcome.asp)

- Date payment received by the college
- Covered employees and payroll
- Amount of tax credit claimed for base
- Amount of tax credit claimed for supplemental
- Net accumulative withholdings

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

### **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 fifteen community colleges. Monthly reports and status updates are made available to all colleges to ensure that current and accurate data is maintained for all 260E agreements and bond issuances. IEDA and the colleges are implementing a 260E reporting process to review 260E program implementation by the colleges and to identify and share best practices. IEDA also hosts update meetings with stakeholders and participates in monthly meetings of the community colleges' economic developers and business managers as requested. IEDA staff continue to go onsite for onsite assistance, to complete the 260E reporting process, and to visit with community college presidents and their teams about their workforce training programs.

## Iowa Jobs Training - 260F

### Background

The Iowa Jobs Training Program became effective July 1, 1985. Authorizing legislation is set out 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, The Iowa Administrative Procedure Act. Community colleges are to implement 260F in adherence with 261 Iowa Administrative Code Chapter 7. IEDA administers 260F on behalf of the State of Iowa. Each of Iowa’s 15 community colleges implement and manage 260F within its merged area.

### Changes Effective Fiscal Year 2015

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. The Legislature allocated approximately \$3 million to 260F and the Business Network and High Technology Apprenticeship components of the 260F program were repealed. The other \$3 million was allocated to IEDA to administer the new Iowa Apprenticeship Act set out in chapter 15B of the Iowa Code.

### Summary

The 260F program is a business incentive program. It assists Iowa based businesses to train, develop and scale up 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 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.

### 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 and 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 to 260F program components based on a percentage amount, unless otherwise specified by the General Assembly.

<sup>27</sup> With the enactment of HF 2450 and repeal of the Business Network and High Technology Apprenticeship components, all appropriated 260F funds are allocated to the fifteen community colleges based on Iowa’s General Aid Formula (GAF).

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<sup>27</sup> 261 IAC 7.4.

## 260F Balances Carry Forward

260F funds allocated to the colleges that are not used are carried forward into the next fiscal year. In addition, funds for approved training projects that ultimately are not implemented roll forward. Colleges work with businesses to develop training plans but needs may change over the course of a fiscal year and a training agreement may not be carried out.

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 update, as training for several projects is ongoing and employees in these training projects are not yet counted. Please note that a – in this column indicates that the completion date for training will occur in calendar year 2016 or 2017. The completion of a training project is not required to coincide with the conclusion of the state fiscal year.

## Application Process

Community colleges enter into training agreements with Iowa businesses to provide training for a business’s existing workforce.<sup>28</sup> A college submits an application to IEDA on behalf of the business. The earliest date on which 260F program funds may be used to pay incurred training expenses is either: (1) the effective date of the signed agreement of intent, or (2) the date on which the application is received at IEDA, whichever is first. A training agreement must be signed by the authorized representatives of the college and of the business on the same date.

## Review Process

IEDA reviews applications submitted by community colleges using scoring criteria prescribed by administrative rule.<sup>29</sup> A college is required to enter into a training contract with the business within ninety days of IEDA notice of approval of the application. A college may apply to IEDA for an advance of funds to pay program costs as provided for in the training agreement.<sup>30</sup> Participating businesses are required to provide a performance report on training outcomes within ninety days of project completion.

## Training Agreement

A community college may enter into a training agreement with an eligible business to establish a training project for providing program services.<sup>31</sup> A training plan can be no longer than two years in length. A business can request an extension up to one additional year. At a minimum, the agreement must include:

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

<sup>29</sup> 261 IAC 7.21.

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

<sup>31</sup> Iowa Code section 260F.2.11.

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

## **Program Services under 260F**

Eligible expenses include:

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

## **Community College Administrative Fee for 260F Administration**

Community colleges may take administrative fees for managing the 260F out of program funding.<sup>32</sup> 260F fees are not to exceed the indirect rate charged by a community college for 260E administration. In Fiscal Year 2015, twelve of the community colleges used 15 percent for the 260F fee while three colleges used 19% percent.<sup>33</sup> Effective July 1, 2015, the start of Fiscal Year 2016, all community colleges will use 15 percent for the 260F fee.

## **Program Components**

Through Fiscal Year 2014, three program components made up 260F. As provided for in administrative rule, four million dollars in funding appropriated to 260F was directed to:

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

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<sup>32</sup> 261 IAC 7.9(1).

<sup>33</sup> The colleges have used an administrative rate of 18.51 percent for the 260E since fiscal year 2011. This is less than the indirect cost rate allowable to them. See Table 3 for indirect allowable and rate used as it relates to the 260E.

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

Funds may be used for two types of training projects- (1) a singular business or (2) a consortium of businesses located in the same merged area with a shared training need. An application for an award of \$5,000 or greater requires a twenty-five percent cash match of the total cost of the project by the business. The maximum award amount for an individual training project is \$50,000, not to exceed a total of \$100,000 within a three-year period. The maximum award for a consortium project is \$100,000 per project.

Table 18 general  
Iowa Jobs Training Program  
Individual Business Awards

Fiscal Year	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
2015	179	7,043	2,198	\$3,312,328
2014	186	4,815	2,292	\$3,018,503

Table 19  
Individual Business Awards  
Fiscal Year 2015

Community College	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
DMACC	25	929	111	\$595,137.00
EICC	13	711	68	\$297,709.00
HCC	13	273	-	\$185,979.00
IHCC	6	356	53	\$211,004.00
ICCC	10	590	142	\$212,000.00
ILCC	8	656	-	\$188,342.00
IVCC	10	295	229	\$155,420.00
IWCC	4	64	25	\$132,770.00
KCC	41	2044	1214	\$517,534.00
NIACC	9	115	60	\$162,479.00
NICC	19	535	147	\$173,600.00
NCC	7	169	54	\$97,894.00
SCC	10	261	88	\$222,774.00
SWCC	2	20	7	\$111,817.00
WITCC	1	25	-	\$47,869.00
<b>Total</b>	<b>179</b>	<b>7,043</b>	<b>2,198</b>	<b>\$3,312,328</b>

Training completion date occurs in calendar year 2016 and 2017

**Table 20**  
Consortium Awards

Fiscal Year	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
2015	4	154	197	\$109,160.00
2014	4	95	15	\$131,771.00

**Table 21**  
Consortium Awards  
Fiscal Year 2015

Community College	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
HCC	1	79	-	\$49,774.00
KCC	2	66	197	\$46,161.00
NIACC	1	9	-	\$13,225.00
Total	4	154	197	\$109,160.00

### **Business Network Training, \$300,000 – First Come Basis**

The Business Network Training Program is now defunct. When in place it required the participation of two or more community colleges working with five or more businesses to address a common training need. A training project award could not exceed \$100,000 per participating college. For Fiscal Year 2014, \$475,061 was awarded for agreements anticipated to train 208 employees.

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

The High Technology Apprenticeship Program is now defunct. When in place one million dollars was directed to “high technology apprenticeship” programs. Distribution of these monies was based on the provision of related eligible contact hours provided by a community college during the prior fiscal year, as approved by the Iowa Department of Education (IDE). Until the program was discontinued, six to seven of the community colleges qualified for these hours. For Fiscal Year 2014, \$2,156,502 was awarded for applications anticipated to train 4,250 employees.

# 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 Iowa Code Chapter 17A, The Administrative Procedure Act. The rules that have been adopted can be found at 261 Iowa Administrative Code Chapter 20. IEDA administers 260G on behalf of the State of Iowa. Each of Iowa’s 15 community colleges implements and manages 260G within its merged area.

## Summary

The intent of 260G is to help develop a workforce pool of individuals skilled in occupations most needed by Iowa businesses. It assists Iowa community colleges 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 twenty 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 included, 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:<sup>34</sup>

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

## Job Credits from Withholdings

A primary payment source for 260G program costs is job credits, which 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.<sup>35</sup> 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. That amount is paid 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 the same amount as a tax credit, effectively reducing its Iowa withholding tax obligation. By law, a business must pay a college before claiming a credit and it must certify to IDR that the credit claimed is in accordance with the program agreement.<sup>36</sup> Payments made by a business to the college are to cease once program costs have been paid. Thereafter, any funds received by a college must be remitted to the State of Iowa.

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<sup>34</sup> Iowa Code section 260G.2 (15).

<sup>35</sup> The minimum wage that a credit may be based on is two hundred percent of the federal poverty guideline for a family of two

<sup>36</sup> Iowa Code section 260G.4A (2).

## 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.<sup>37</sup> IEDA is directed to allot the total amount of statewide job credits to Iowa's fifteen community colleges. The allotted amount of job credits available to each community college is based on the State General Aid formula.<sup>38</sup>

## Funding Cycle - Awarding Job Credits

### April 1

IEDA is 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 provides 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 allotment. For example, in order for a college to retain its job credit allotment for Fiscal Year 2015, which commence July 1, 2014, a college was required to submit its program agreements or a letter of intent to IEDA by April 1, 2015.

### 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. Some community colleges do not use their allotted job credits. Colleges which are not currently using their allotments include: EICC, IHCC, NICC, SECC, and SWCC. Colleges with 260G agreements in place with Iowa businesses for Fiscal Year 2015 are supporting over 1,300 sponsored positions.

**Table 22**  
**260G Job Credits**  
**Fiscal Year 2015**

Community College	Awarded Job Credits
DMACC	\$3,068,348.00
HCC	\$253,758.00
ICCC	\$159,944.00
ILCC	\$203,374.00
IVCC	\$63,220.00
IWCC	\$57,900.00
KCC	\$318,600.00
NCC	\$320,528.00
NIACC	\$190,480.00
WITCC	\$293,690.00

<sup>37</sup> Iowa Code section 260G.4B.

<sup>38</sup> 261 IAC 20.14(1).

## Program Update

IEDA and the community colleges are working to establish a centralized electronic data system to support the reporting of payments received by a college from a business and the reconciliation of amount claimed for a job credit. The system will provide automatic notice of IEDA's approval of a 260G job credit for a program agreement to IDR as required by administrative rule.<sup>39</sup>

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<sup>39</sup> 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 15BF 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 Iowa Code Chapter 17A, The Administrative Procedure Act. The rules are set out at 261 Iowa Administrative Code Chapter 12.

### Summary

The purpose of 15B is to increase the number of skilled 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). Employers that register with DOL/OA voluntarily choose to come under various state and federal requirements that support high standards, instructional rigor and quality training. A worker who graduates from a registered apprenticeship program receives a national, industry-recognized, portable credential, guaranteeing to employers that the graduate is fully qualified to do the job. An apprenticeship program registered with U.S. DOL/OA is referred to as a “sponsor” and includes both union and non-union programs. A “lead sponsor” is an organization representing a group of registered apprenticeship sponsors. Only a sponsor or lead sponsor may apply for a 15B training grant.

### Employer Driven Model

An employer driven model, registered apprenticeship combines on-the-job training with related classroom instruction to increase the apprentice’s skill level and wages. A flexible training strategy, it can be customized to meet the needs of every business and integrated into current training and development. Apprenticeship training is an “earn while you learn” model in that an apprentice receives a paycheck while learning on the job.

Iowa currently has more than 700 registered apprenticeship programs in advanced manufacturing, energy, hospitality, construction, transportation, and information technology. The increase in the number of registered apprenticeships in Iowa, 21% in FY2014, is one of the largest in the United States. Because apprenticeships are directly linked to private-sector demand, workers are prepared with in-demand skills that can lead to significant increases in their lifetime earnings. According to DOL, the post-apprenticeship employment rate is more than 87 percent and the average starting salary tops \$50,000 per year.

### Registered Apprenticeship Credentials

Registered apprenticeship provides credentials equivalent to a two-or 4-year degree, often resulting in a long-term, well-paying career. Over a career, someone who has gone through a registered apprenticeship program earns an estimated \$300,000 more in salary and benefits than someone who did not. The Registered Apprenticeship-College Consortium (RACC) is composed of employers, labor management

groups and associations that have registered programs, and two- and four- year postsecondary institutions. RACC members agree to accept the college credit value of the registered apprenticeship completion certificate. Administered by DOL and the U.S. Department of Education, the consortium is a national network of colleges and sponsors enabling apprenticeship graduates to attend and complete their postsecondary degrees at member colleges. Currently five of Iowa's community colleges are members of the RACC: DMACC, HCC, ICCO, NICC, and WITCC.

## Funding

An apprenticeship training fund is created as a revolving fund in the State Treasury under the control of the IEDA.<sup>40</sup> \$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.<sup>41</sup> The total number of registered apprentices and RTI hours determines the amount of "contact hours" credited to an applicant. The amount allocated for a training grant is then based on a sponsor's or lead sponsor's proportionate share of the statewide total of contact hours.

## Program Timelines

Three timelines are used in the 15B program, they include:

1. Funding is appropriated to the 15B program by state fiscal year which runs July 1 to June 30

Administrative rule directs the other two timelines to facilitate allocating award amounts using the required statutory formula

2. An applicant submits in the 15B funding application the total number of apprentices and RTI hours the registered apprentice program had during the most "recent training year." This is defined as the prior calendar year or January 1 to December 31
3. A deadline to determine the total statewide contact hours for all applicants is established as February 1

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<sup>40</sup> Iowa Code section 15B.3 (1).

<sup>41</sup> 261 IAC 12.3 defines "training year" as the most recent calendar year.

The following example of a fictional registered apprenticeship program known as Smith Welding will help illustrate the program timelines for the current funding cycle of Fiscal Year 2016:

- Monies are appropriated for state Fiscal Year 2016 – July 1, 2015 to June 30, 2016
- Smith Welding submits in the 15B funding application the total number of apprentices and RTI hours for the registered apprenticeship program for the recent training year which is January 1, 2015 to December 31, 2015
- All 15B applications must be submitted February 1, 2016 in order to sum the statewide contact hours for all applicants applying to the program

### **Fiscal Year 2015 Application Cycle**

During FY 2015, a total of \$3.15M was allocated to sixty-seven eligible sponsors and lead sponsors representing 4,767 apprentices. Combined, these applicants represented almost two million contact hours. Grant recipients included employers from “mom and pop” businesses to the largest registered apprenticeship programs in the state. Occupations represented in the program include plumbers, pipefitters, electricians, HVAC, cement mason, plasterer and painter, sheet metal, machinist, welder, fabricator and more. To date, ninety percent of the allocated funds have been reimbursed to FY 2015 grant recipients.

**Table 23**  
**15B Awards**  
**Fiscal Year 2015**

Grant Recipients	Contact Hours	Registered Apprentices	Funds Awarded
67	1,912,842	4,767	\$3,156,548

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### 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)

