

IEDA is charged by the Iowa General Assembly with coordinating four programs through which customized training is provided 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 15 community colleges is responsible for implementing the 260E, 260F and 260G programs within its merged area.¹ IEDA directly manages the 15B program.

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.

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, evaluation and reporting, including preparation of this report, is maintained in two databases. Both rely on ongoing updating of information by the colleges and are subject to IEDA review and reporting.² The two systems include:

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

Community colleges piloted a transcript and reimbursement database system 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.³

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 that has been adopted by several other community colleges. Other community colleges have developed their own systems using outside contractors or have maintained a Datatel transcript system with coding parameters to differentiate 260E employees. 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 as required under statutory and administrative rule provisions.

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

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

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 2016 certificate sales,⁴ and the allocation of certificate proceeds. Information on training agreements between community colleges and Iowa businesses is included. Efforts to reconcile diverted income tax withholding payments to colleges with tax credit claims made by participating businesses is addressed. As 260E operations are ongoing, additional certificates may have been sold, training agreements executed, and other activities conducted since this report was prepared.

Summary

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

Community colleges enter into training agreements⁵ 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.⁶

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 so that potential investors are fully informed. Material information about the college selling the certificate, such as operating and financial detail, is included, in addition to the property tax valuation of the merged area, and the 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
4. Partially fund general administration and overhead of the community colleges

⁴ Fiscal Years 2015 and 2016 bond certificate sales per date of the Official Statements.

⁵ 261 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."

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

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.⁷ Source of funds 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 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.”
2. 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. 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.

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.⁸ Withholding from other businesses may also be used to make up a shortfall if the same certificate financed the 260E training for the other businesses.

Between Fiscal Year 2001 and Fiscal Year 2016, colleges awarded \$664,936,426 in new jobs withholding credits. (Table 1)

3. Incremental Property Tax – The increase in incremental property tax generated because of a 260E site location or expansion may be diverted as payment to a college and forgone by local government. The use of this repayment source had decreased sharply, down from \$72,542 in 2010 to just \$33,811 in 2016⁹.
4. Reserves – Community colleges set aside a portion of the certificate proceeds as a reserve that may be used to make principal and interest payments in the initial year of the project before any payments from businesses are received. Colleges also sometimes use reserves as a payment source after revenue is received.

⁷ 261 IAC 261 5.6(1).

⁸ Iowa Code section 260.5(2).

⁹ Data provided by the Iowa Department of Management

5. Other – Iowa Code 260E.3 authorizes use of tuition, student fees or special charges fixed by the community college’s board of directors to defray 260E costs. These sources are rarely used.

Standby Property Tax Levy

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

Iowa New Jobs Tax Credit (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 that has increased its base employment level by at least 10 percent or, in the case of a start-up, has created new jobs, to claim a New Jobs Tax Credit. The business can claim the credit against corporate income taxes owed during the tax year selected by the business or, where the business is a pass-through entity, on individual income taxes.

The credit equals six percent of the taxable wages which the employer is required to contribute to the state unemployment compensation fund (\$1,698 per job created in 2016) multiplied by the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. Businesses have claimed \$30,820,081 from Fiscal Year 2007 to Fiscal Year 2016 (Table 1).

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

Table 1
Iowa Department of Revenue
260E Tax Credits from the Contingent Liabilities Report, October 2016

	Amount of 260E Credits Awarded	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
FY 2002	\$36,465,750	n/a	n/a	n/a
FY 2003	\$26,705,000	n/a	n/a	n/a
FY 2004	\$26,746,500	n/a	n/a	n/a
FY 2005	\$51,995,000	n/a	n/a	n/a
FY 2006	\$40,280,000	\$29,928,649	n/a	n/a
FY 2007	\$60,110,000	\$42,996,886	\$4,421,145	\$47,418,031
FY 2008	\$58,965,850	\$47,507,655	\$4,608,919	\$52,116,574
FY 2009	\$48,925,000	\$47,189,017	\$4,492,790	\$51,681,807
FY 2010	\$32,127,000	\$47,526,601	\$2,972,003	\$50,498,604
FY 2011	\$40,755,000	\$45,892,441	\$2,378,086	\$48,270,527
FY 2012	\$48,500,000	\$48,660,167	\$2,827,120	\$51,487,287
FY 2013	\$35,655,727	\$43,909,851	\$3,180,494	\$47,090,345
FY 2014	\$38,667,132	\$42,612,466	\$1,801,352	\$44,413,818
FY 2015	\$39,860,995	\$41,116,690	\$1,963,486	\$43,080,176
FY 2016	\$40,609,972	\$35,321,764	\$2,174,686	\$37,496,450
TOTAL	\$664,936,426	\$472,662,187	\$30,820,081	\$473,553,619

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.¹⁰ 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

¹⁰ Iowa Code subsections 260E.2 and 3 and 261 IAC 5.4.

- Subcontracted services with institutions governed by the board of regents, private colleges or universities, or other federal, state, or local agencies
- Contracted or professional services
- Issuance of certificates

Information and requirements that must be contained in each Agreement

- Costs to be incurred and the minimum amounts of guaranteed revenue sources to pay for such costs
- A provision that program costs must be paid within 10 years from the date a training project commences
- The length of time that each new job category will be provided on-the-job training
- The completion date of all other training
- A provision 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
- A provision that payment requirements of the participating business to the college are liens upon the business property until paid in full

Documents that colleges must submit to IEDA

- A copy of the final program agreement, including pertinent training services and financial details
- Corresponding Official Statement of the bond certificate financing the agreements
- Updates on agreements, as specified by IEDA, throughout the life of the agreements
- Procedures used by the college for ongoing review and project monitoring of the agreements
- Documentation of identified events of defaults,¹¹ 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.

¹¹ 261 IAC 5.10(3).

Indirect Cost Rate

260E program training agreements cover program costs¹² which, by statute, are the necessary and incidental costs of providing program services of the 260E.¹³ The amount of reimbursement paid to colleges is not based on actual incurred costs, but rather, at an indirect rate established by Iowa Administrative Code.¹⁴ 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)¹⁵
2. General Institution expenditures of the colleges (reported as function nine)¹⁶
3. All expenditures of the colleges

Functions five and nine expenditures are totaled and divided into the sum of all expenditures for a percentage. This percentage establishes the eligible indirect rate. IDE must provide the colleges with the indirect rate by no later than the start of the state of Iowa fiscal year, 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 2015 financial data is used to calculate the rate for FY 2017 (Table 2).

Table 2
260E Indirect Cost Rate Calculation
Fiscal Years 2012 through 2017¹⁷

Fiscal Year Financial Data	Administrative Function 5	Administrative Function 9	Total Expenditures	Calculated Indirect	For Fiscal Year
2010	\$33,879,257	\$68,319,825	\$504,179,540	20.27%	2012
2011	\$32,846,251	\$69,600,224	\$529,112,811	19.36%	2013
2012	\$35,131,272	\$69,475,026	\$541,290,829	19.33%	2014
2013	\$33,694,159	\$71,629,533	\$552,488,022	19.06%	2015
2014	\$35,024,744	\$72,442,077	\$555,360,825	19.35%	2016
2015	\$32,929,239	\$75,925,281	\$550,716,922	19.77%	2017

¹² Iowa Code section 260E.3 (1).

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

¹⁴ 261 IAC 5.4(7).

¹⁵ 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.”

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

¹⁷ Data provided by the Iowa Department of Education.

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).

Table 3
**260E Calculated Indirect Cost Rate and Approved Rate
Fiscal Years 2006 to 2017¹⁸**

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

Bond Certificate Sales

Community colleges sold 22 bond certificates during Fiscal Years 2015 and 2016. Bond sales provided a total of \$80,835,842.06 in certificate proceeds allocated as follows:

Training Funds - \$57,999,464.67
Community College Fees – \$14,830,211.72
State Fee - \$801,200.00
Other Costs of Issuance - \$1,562,923.07
Capitalized Interest /Reserve Fund - \$5,642,042.60

¹⁸ Data provided by the Iowa Department of Education.

These issuances are financing 210 training agreements with 193 participating businesses¹⁹ pledging 9,320 new jobs. A business may have more than one agreement with a community college or colleges (Tables 4 and 5).

Table 4
260E Bond Certificate Issuance
Fiscal Year 2015 and 2016

Fiscal Year	Bond Amount (Total Sources)	Reserves	Training Fund	College Fee	State Fee	Other Issuance Costs	Pledged New Jobs
2015	\$37,910,074.32	\$2,396,307.52	\$27,438,680.11	\$6,997,705.50	\$378,050.00	662,937.19	4,230
2016	\$42,925,767.74	\$3,209,341.08	\$30,560,784.56	\$7,832,506.22	\$423,150.00	\$899,985.88	5,090
Total	\$80,835,842.06	\$5,642,042.60	\$57,999,464.67	\$14,830,211.72	\$801,200.00	\$1,562,923.07	9,320

Table 5
Proceeds, Businesses and Agreements
Fiscal Years 2015 and 2016

Fiscal Year	Bond Amount (Total Sources)	Participating Businesses	Training Agreements	Pledged New Jobs
2015	\$37,910,074.32	97	98	4,230
2016	\$42,925,767.74	112	112	5,090

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 15 community colleges sold certificates. In Fiscal Year 2016, 13 colleges had bond certificate sales.

Information concerning Fiscal Years 2015 and 2016 certificate issuance and use of proceeds is reflected on Tables 6 – 7, listed alphabetically by college. 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)

¹⁹ A business may have more than one agreement with a community college or colleges. A college will serve businesses located in its merged area.

Other Costs of Issuance – 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, while 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 Fiscal Year 2015.

Table 6
260E Total Bond Certificate Issuances
Fiscal Year 2015

FY 2015 Bonds Issued	Bond Amount (Total Sources)	Community College Fee	State Administrative Fee	Other Costs of Issuance	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
TOTAL	\$37,910,074.32	\$6,997,705.50	\$378,050.00	\$663,687.19	\$2,431,951.52	\$27,438,680.11	4230

The following tables show bond certificates issued in Fiscal Year 2016.

Table 7
260E Bond Certificate Issuances
Fiscal Year 2016

FY 2016 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	\$13,696,314.25	\$2,503,477.50	\$135,250.00	\$159,252.75	\$130,728.00	\$10,767,606.00	1729
EICC-1	\$4,215,680.00	\$740,400.00	\$40,000.00	\$141,843.75	\$593,436.25	\$2,700,000.00	475
EICC-2	\$2,829,180.19	\$499,770.00	\$27,000.00	\$91,800.00	\$393,610.19	\$1,817,000.00	514
HCC-2	\$1,931,456.90	\$354,466.50	\$19,150.00	\$44,102.79	\$196,644.11	\$1,317,093.50	180
ILCC	\$1,950,457.30	\$359,094.00	\$19,400.00	\$44,743.51	\$212,946.30	\$1,314,273.49	227
IVCC	\$815,000.00	\$150,856.50	\$8,150.00	\$21,387.60	\$85,017.50	\$549,588.40	193
IWCC	\$664,875.00	\$124,942.22	\$6,750.00	\$16,000.00	\$67,500.00	\$449,682.78	62
KCC	\$4,689,593.00	\$862,566.00	\$46,600.00	\$99,196.00	\$233,000.00	\$3,448,231.00	532
NIACC	\$3,496,414.05	\$645,073.50	\$34,850.00	\$100,447.46	\$369,529.70	\$2,346,513.39	398
NICC	\$2,550,007.00	\$470,154.00	\$25,400.00	\$54,761.00	\$254,000.00	\$1,745,692.00	238
NCC-1	\$1,225,000.00	\$226,747.50	\$12,250.00	\$28,990.00	\$130,872.50	\$826,140.00	176
NCC-2	\$1,669,965.05	\$307,266.00	\$16,600.00	\$39,058.77	\$182,556.28	\$1,124,484.00	103
SCC	\$2,226,825.00	\$409,071.00	\$22,100.00	\$38,267.00	\$253,703.00	\$1,503,684.00	150
WITCC	\$965,000.00	\$178,621.50	\$9,650.00	\$20,135.25	\$105,797.25	\$650,796.00	113
TOTAL	\$42,925,767.74	\$7,832,506.22	\$423,150.00	\$899,985.88	\$3,209,341.08	\$30,560,784.56	5090

Open Training Agreements

Iowa Code 260E.2 (15) defines a 260E project as “a training arrangement which is the subject of an agreement entered into between a community college and an Iowa business to provide program services.” Agreements that are currently open, participating businesses, and pledged new jobs are shown in the table below (Table 8). The figures reflect agreements entered into between fiscal years 2006 and 2016.

Agreement Tables

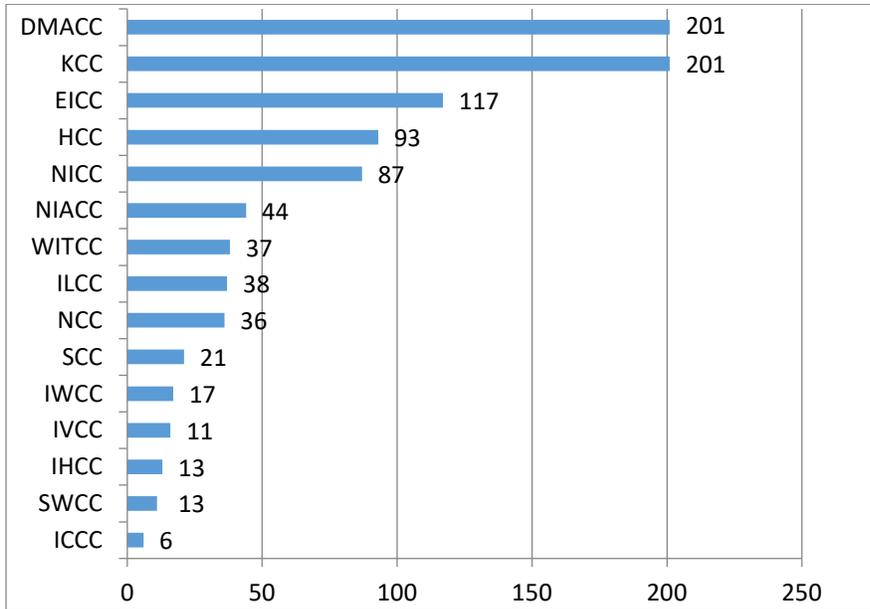
Table 8
260E Total Open Agreements
Fiscal Years 2006-2016

Number of Open Training Agreements	Number of Participating Businesses	Number of Pledged New Jobs
935	638	47,167

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

Graph 1

260E Training Agreements by College
2016



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

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

Generally, individual agreements within a bond issuance can be paid off within seven years. However, although the participating businesses' payment obligations have been satisfied and training has been completed, some colleges do not close out agreements until the entire 10-year period of the bond issuance has concluded. Once sufficient tax withholding payments to cover the principal and interest on agreements 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 (the multiple agreements within a bond issuance) have been paid, the employer credits shall cease and any money received after the certificates have been paid shall be remitted to the treasurer of state to be deposited into the general fund of the state."

Business Retention

The 260E program is a key incentive for retention of existing Iowa industries and assisting new businesses that locate in Iowa. Of the current portfolio of open agreements, 85.2 percent are for expansions of existing industry and 14.8 percent for new startups (Table 9).

Table 9
Open Training Agreements
Expansions and Startups

Community College	Open Agreements	Businesses	Certificate Amount	Training Fund Amount	Expansions	Startups	Pledged New Jobs
DMACC	201	131	\$ 76,697,500.00	\$60,518,732.00	188	13	8,974
EICC	117	88	\$ 49,780,000.00	\$33,663,100.00	101	16	6,709
HCC	93	73	\$ 30,250,000.00	\$20,626,802.60	84	9	3,536
IHCC	13	11	\$ 6,405,000.00	\$4,310,017.00	10	3	830
ICCC	6	6	\$ 4,810,000.00	\$3,412,081.70	6	0	498
ILCC	38	26	\$ 10,705,000.00	\$7,216,277.62	32	6	1,537
IVCC	11	13	\$ 8,300,000.00	\$5,613,119.00	10	1	1,635
IWCC	17	17	\$ 6,945,000.00	\$4,768,809.78	11	6	1,022
KCC	201	118	\$ 63,740,000.00	\$47,801,145.50	181	20	8,849
NIACC	44	37	\$ 13,635,000.00	\$9,075,599.89	30	14	1,793
NICC	87	62	\$ 44,496,320.05	\$30,969,138.63	67	26	4,828
NCC	36	28	\$ 13,074,965.05	\$8,760,058.51	28	10	1,981
SCC	21	18	\$ 16,423,390.30	\$11,152,692.00	15	6	1,738
SWCC	13	10	\$ 7,665,000.00	\$5,143,574.84	9	4	1,221
WITCC	37	28	\$ 15,185,000.00	\$10,264,119.00	31	6	2,016
Total	935	638	\$368,112,175.40	\$263,295,268.07	796	139	47,167

23.8 percent of open agreements are with businesses employing 10 or fewer employees, or in the case of a start-up, hiring for the first time (Table 10).

Table 10
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	121	\$60,949,456.96	\$483,725.85	8,261
1 - 10	100	\$30,530,888.63	\$305,308.89	3,912
11 - 50	198	\$31,200,271.50	\$156,785.28	4,142
51 - 100	132	\$26,940,657.60	\$204,095.89	3,866
101 - 250	186	\$60,840,174.02	\$327,097.71	8,970
251 - 500	125	\$55,679,341.29	\$445,434.73	6,989
501 - 1,000	33	\$33,142,516.18	\$974,779.89	4,147
1,001 - 2,000	18	\$23,418,255.34	\$1,301,014.19	2,565
2001 - 5,000	19	\$37,545,613.88	\$2,503,040.93	3,496
5,001 - 8,593	3	\$7,865,000.00	\$2,261,666.67	819

Annual Reporting by Community Colleges

Community colleges are required to annually report to IEDA how 260E training funds have been spent.²⁰ 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 expenses²¹ 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, expansion or location activities have been initiated, and new jobs training has been 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 the provider of formal training and whether training dollars were spent for On-the-Job Training (OJT). The descriptions of these categories as reflected in the 260E Data System Manual are:

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.

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, depending primarily on how a college’s information system collects and classifies information. For example, some colleges that assist a business with “customizing” training for the new 260E jobs (e.g., securing a 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. Thus, contracted expenditures may include training arranged by the college, the employer or both. These differences in how the community colleges categorize and input budgeted provider expense are important to consider when reviewing Table 11a below. Table 11b shows budgeted and actual On-the-Job Training (OJT). The source of information for Tables 11a and 11b is budgeted and actual data entered by the colleges in the 2016 Annual Reporting section for all open agreements, including agreements issued in 2016 for which no expenses have yet accrued. In addition to the 2016 contracts for which no expenses have yet accrued, there are many contracts for 2015 and prior years for which less than the total budgeted training dollars have been spent, i.e., training has not yet been conducted or completed.

²⁰261 Iowa Administrative Code 5.9.

²¹ Iowa Code section 260E.2 (14).

Table 11a
Community College Annual Reporting
Training by Provider

	Budgeted Community College	Actual Community College	Budgeted Contractor	Actual Contractor	Budgeted Employer	Actual Employer
DMACC	\$ 2,895,500.00	\$ 1,804,503.22	\$ -	\$ -	\$ 44,451,906.50	\$ 23,402,381.33
EICC	\$ 12,820,758.00	\$ 2,213,680.31	\$ 1,659,000.00	\$ 1,531,096.92	\$ 3,124,192.00	\$ 8,712,282.69
HCC	\$ 1,402,136.62	\$ 673,054.03	\$ 6,465,720.00	\$ 1,713,045.55	\$ 2,445,569.98	\$ 328,598.22
IHCC	\$ -	\$ 108,189.38	\$ -	\$ -	\$ 2,155,956.00	\$ 1,350,448.49
ICCC	\$ 853,020.45	\$ 443,698.74	\$ -	\$ -	\$ 853,020.41	\$ 35,267.81
ILCC	\$ 584,377.81	\$ 28,496.33	\$ 1,042,993.08	\$ 216,927.31	\$ 4,620,913.03	\$ 3,053,558.25
IVCC	\$ 1,389,364.90	\$ 124,909.50	\$ 1,417,194.60	\$ 1,425,765.06	\$ 802,819.50	\$ -
IWCC	\$ 95,000.00	\$ 155,607.00	\$ -	\$ 358,035.28	\$ 2,959,412.97	\$ 1,518,842.11
KCC	\$ 24,909,994.23	\$ 604,796.50	\$ -	\$ 5,393,671.81	\$ -	\$ 6,482,471.03
NIACC	\$ 2,619,034.48	\$ 870,410.77	\$ 1,203,643.09	\$ 962,590.85	\$ 911,775.52	\$ 220,331.53
NICC	\$ 7,901,845.63	\$ 2,532,042.00	\$ 5,448,422.34	\$ 2,296,686.37	\$ 7,826,418.05	\$ 11,800,652.44
NCC	\$ 3,388,513.51	\$ 114,784.96	\$ -	\$ 1,057,103.47	\$ -	\$ 76,155.82
SCC	\$ 653,410.50	\$ 136,596.00	\$ 3,315,063.77	\$ 1,101,522.09	\$ 2,365,355.98	\$ 345,577.87
SWCC	\$ 1,420,000.00	\$ -	\$ 660,022.39	\$ -	\$ 1,265,814.45	\$ 2,389,811.10
WITCC	\$ 4,034,987.75	\$ 1,206,484.35	\$ 805,139.27	\$ 1,108,510.95	\$ 553,533.75	\$ 523,195.80
TOTAL	\$ 64,967,943.88	\$11,017,253.09	\$ 22,017,198.54	\$17,164,955.66	\$ 74,336,688.14	\$ 60,239,574.49

Table 11b
On-The-Job-Training

	Budgeted OJT	Actual OJT
DMACC	\$ 10,384,238.50	\$ 6,688,539.22
EICC	\$ 16,059,150.00	\$13,243,546.82
HCC	\$ 10,313,376.00	\$ 5,226,553.44
IHCC	\$ 2,154,061.00	\$ 1,875,148.21
ICCC	\$ 1,706,040.84	\$ 74,813.07
ILCC	\$ 656,722.70	\$ 562,654.45
IVCC	\$ 2,003,740.00	\$ 2,185,454.88
IWCC	\$ 1,714,396.81	\$ 732,414.00
KCC	\$ 23,270,429.15	\$17,121,742.55
NIACC	\$ 4,341,146.80	\$ 1,990,681.67
NICC	\$ 9,792,452.61	\$ 1,907,147.81
NCC	\$ 3,270,239.00	\$ 2,388,362.57
SCC	\$ 4,818,860.75	\$ 2,480,519.08
SWCC	\$ 325,000.00	\$ 41,529.75
WITCC	\$ 4,870,458.23	\$ 3,223,570.44
TOTAL	\$ 95,680,312.39	\$59,742,677.96

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.²² 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, that business can claim withholding tax credits.

Community colleges have identified and reported 51 defaults by participating businesses. The total amount for these reported defaults is \$5,911,100.91. The 12 community colleges reporting defaults include: EICC, HCC, IHCC, ILCC, IVCC, KCC, NIACC, NICC, SCC, SWCC, DMACC and WITCC. Colleges not reporting defaults include ICCC, NCC 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 yet placed them in default.

²² 261 Iowa Administrative Code 5.10(3).

“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 for whom training was provided and the median wage of new jobs for each training project.²³

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 2016, the average wage information associated with new jobs for the 938 open training agreements is shown below (Table 12).

Table 12
260E Average Wage

Fiscal Year	Beginning Average Hourly Wage	Ending Hourly Wage	Annual Average Wage Increase
2015	\$19.50	\$22.93	\$3.43
2016	\$19.67	\$23.79	\$4.12

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.²⁴ The system provides a confirmation page to the filer that reports all withholding tax credits claimed on the return. Returns submitted to IDR are confidential tax information and IEDA cannot release returns unless the taxpayer authorizes it.

²³ 261 Iowa Administrative Code 5.9.

²⁴ https://efilepay.idr.iowa.gov/iao_aaa/welcome.asp

Some payroll vendors are more efficient than others at providing E-File and Pay confirmation pages to the colleges. Failure by a third-party vendor to provide information in a timely manner impairs the ability of a college to reconcile withholding tax credits claimed by the business with the payments received by the college. This is problematic, 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 13).

Table 13
260E Withholding
Filing and Entry Due Dates

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

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

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

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

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. IEDA makes monthly reports and status updates available to all colleges to ensure that they maintain current and accurate data 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 continues to provide onsite assistance at each community college 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 repealed the Business Network and High Technology Apprenticeship components of the 260F program. The remaining \$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 upscale skills of their existing workforces to remain competitive. To be eligible for 260F assistance, a business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing or assembling products, conducting research and development or providing services in intrastate commerce. Retail, health and professional services businesses are not eligible, nor are businesses that have substantially reduced operations in one area of the state and relocated substantially the same operations to another area of Iowa and businesses that are involved in a strike, lockout or other labor dispute in Iowa.

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 monies in the fund. A distribution formula established by administrative rule directs that IEDA allocate appropriated funds to 260F program components based on a percentage amount, unless otherwise specified by the General Assembly.²⁵ 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 15 community colleges based on Iowa’s General Aid Formula (GAF).

²⁵ 261 Iowa Administrative Code 7.4.

260F Balances Carry Forward

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

Iowa Code Section 260F.8 provides that any funds set aside for a community college that have not been used or committed by May 1 become available for IEDA to provide financial assistance to other colleges. Amounts set out under “Training Funds Awarded” for a fiscal year in the following tables include both the fiscal year allocation and the carry-forward balances.

Application Process

Community colleges enter into training agreements with Iowa businesses to provide training for a business' existing workforce.²⁶ A college applies 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.

Review Process

IEDA reviews applications submitted by community colleges and scores them using criteria prescribed by administrative rule.²⁷ A college is required to enter into a training contract with the business within 90 days of IEDA notice of approval of the application. A college may apply to IEDA for an advance of funds to pay program costs as provided in the training agreement.²⁸ Participating businesses are required to provide a performance report on training outcomes within 90 days of project completion.

²⁶ Iowa Code section 260F.2 (11).

²⁷ 261 Iowa Administrative Code 7.21.

²⁸ Iowa Code section 260F.6 (2).

Training Agreement

A community college may enter into a training agreement with an eligible business to establish a training project for providing program services.²⁹ A training plan can be no longer than two years in length. A business can request an extension up to one additional year. At a minimum, the agreement must include:

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

Program Services under 260F

Eligible expenses include:

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

Community College Administrative Fee for 260F Administration

Community colleges may take a portion of program funding as administrative fees for managing the 260F.³⁰ 260F fees are not to exceed the indirect rate charged by a community college for 260E administration. In Fiscal Year 2015, 12 of the community colleges used 15 percent for the 260F fee, while three colleges used 19 percent.³¹ Effective July 1, 2015, the start of Fiscal Year 2016, all community colleges will use 15 percent for the 260F fee.

²⁹ Iowa Code section 260F.2.11.

³⁰ 261 Iowa Administrative Code 7.9(1).

³¹ 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.

Program Components

Through Fiscal Year 2014, three program components made up 260F. As provided for in administrative rule, \$4 million in funding appropriated to 260F was directed to:

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

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. The business must provide a match equivalent to 25 percent for that total cost of the project for an award of \$5,000 or more. The maximum award amount for an individual training project is \$50,000, not to exceed a total of \$100,000 within a three-year period (tables 14 and 15). The maximum award for a consortium project is \$100,000 per project (Tables 16 and 17).

Table 14 general
Iowa Jobs Training Program
Individual Business Awards

Fiscal Year	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
2016	166	5,834	1,845	\$3,230,448.89
2015	183	7,197	2,395	\$3,421,487.97

Table 15
Individual Business Awards
Fiscal Year 2016

Community College	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
DMACC	25	979	149	\$594,564
EICC	13	643	15	\$280,776
HCC	10	198	65	\$183,640
IHCC	11	323	35	\$221,343.89
ICCC	10	367	-	\$187,498
ILCC	5	637	-	\$194,234
IVCC	8	309	-	\$144,637
IWCC	8	249	76	\$173,583
KCC	29	1,169	1,180	\$493,250
NIACC	7	162	3	\$163,965
NICC	15	352	86	\$161,882
NCC	8	207	232	\$117,032
SCC	13	156	4	\$166,922
SWCC	1	8	-	\$39,197
WITCC	3	75	-	\$107,985
Total	166	5,834	1,845	\$3,230,448.89

Figures for “Employees Completing Training” reflect the number of employees for each community college that completed training in Fiscal Year 2016. Training for several projects is ongoing. A “-” in this column indicates that the completion date for training will occur during Fiscal Year 2017 or 2018.

Table 16
Consortium Awards

Fiscal Year	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
2016	4	102	147	\$110,692.00
2015	4	154	208	\$109,160.00

Table 17
 Consortium Awards
 Fiscal Year 2016

Community College	Total Awards	Employees Anticipated to be Trained	Employees Completing Training	Training Funds Awarded
HCC	1	24	75	\$36,225.00
KCC	3	78	72	\$74,467.00
Total	4	102	147	\$110,692.00

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

The Business Network Training Program is now defunct. While still in effect, 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 still in effect, \$1 million 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 IEDA has 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. Retail, health and professional service businesses are not eligible.

Program Agreements

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

- **Program job credits – based on the number of positions the business agrees to sponsor under the agreement**
- **Cash or in-kind contributions – made by the business towards the program cost. At a minimum, a business must match 20 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**

An application must set out the following:

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

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

Program costs

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

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

Job Credits from Withholdings

A primary payment source for 260G program costs is job credits, the amount of which is 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' 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.

³² Iowa Code section 260G.2 (15).

- A job credit is then based upon the hiring wage that the business would pay to an individual who completes the training program's requirements.³³ The business may claim up to 10 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, and the business pays that amount to the community college on a quarterly basis. These payments are used to offset 260G program costs. Upon paying a college, a business may claim the same amount as a tax credit, effectively reducing its Iowa withholding tax obligation. By law, a business must pay a college before claiming a credit, and it must certify to the Iowa Department of Revenue (IDR) that the credit claimed is in accordance with the program agreement.³⁴ Payments made by a business to the college are to cease once program costs have been paid. Thereafter, any funds received by a college must be remitted to the state of Iowa. IEDA communicates with IDR regarding the total amount of job credits that each business can claim each year.

Statewide Funding Allotment

Iowa Code establishes the total amount of program job credits that may be allocated statewide in any one fiscal year. The total allocated amount is not to exceed \$5.4 million.³⁵ 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.³⁶

Funding Cycle - Awarding Job Credits

April 1

IEDA maintains an annual record of the proposed use of job credits by each college. Community colleges are required to submit their anticipated program agreements to IEDA by April 1. Submission of a program agreement 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 2016, which commenced on July 1, 2015, a college was required to submit its program agreements or a letter of intent to IEDA by April 1, 2016.

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

³³ The minimum wage that a credit may be based on is two hundred percent of the federal poverty guideline for a family of two

³⁴ Iowa Code section 260G.4A (2).

³⁵ Iowa Code section 260G.4B.

³⁶ 261 Iowa Administrative Code 20.14(1).

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 that are not currently using their allotments include: EICC, IHCC, NICC, SCC and SWCC. Colleges with 260G agreements in place with Iowa businesses for Fiscal Year 2016 are supporting over 1,400 sponsored positions.

The below (Tables 18 and 19) shows the number of credits, positions sponsored and businesses participating in 260G for Fiscal Years 2015 and 2016:

Table 18
260G Job Credits
Fiscal Year 2016

Community College	Awarded Job Credits	Businesses Participating	Sponsored Positions
Des Moines Area Community College (DMACC)	\$3,028,548.00	48	809
Western Iowa Tech (WITCC)	\$387,225.00	7	106
Northwest Iowa Community College (NCC)	\$320,528.00	25	99
Kirkwood Community College	\$225,196.00	4	100
Iowa Central Community Colleges (ICCC)	\$203,558.00	13	60
Iowa Lakes Community College (ILCC)	\$203,374.00	9	53
North Iowa Community College (NIACC)	\$190,480.00	4	47
Hawkeye Community College (HCC)	\$133,224.00	8	32
Iowa Western (IWCC)	\$79,740.00	14	58
Iowa Valley Community College (IVCC)	\$34,500.00	3	12

Table 19
260G Job Credits
Fiscal Year 2015

Community College	Awarded Job Credits	Businesses Participating	Sponsored Positions
Des Moines Area Community College (DMACC)	\$3,068,348.00	49	848
Northwest Iowa Community College (NCC)	\$320,528.00	25	99
Kirkwood Community College (KCC)	\$318,600.00	4	100
Western Iowa Tech (WITCC)	\$293,690.00	6	77
Hawkeye Community College (HCC)	\$253,758.00	10	75
Iowa Lakes Community College (ILCC)	\$203,374.00	9	53
North Iowa Community College (NIACC)	\$190,480.00	4	47
Iowa Central Community Colleges (ICCC)	\$159,944.00	13	54
Iowa Valley Community College (IVCC)	\$63,220.00	4	22
Iowa Western (IWCC)	\$57,900.00	14	34

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.³⁷

³⁷ 261 Iowa Administrative Code 20.15(3)

Iowa Apprenticeship Training Program - 15B

Background

The Iowa Legislature enacted the Iowa Apprenticeship Training Program Act 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 was 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 providing training grants to eligible apprenticeship programs. IEDA administers the program in coordination with the United States Department of Labor (DOL) Office of Apprenticeship (OA). Employers that register with DOL/OA voluntarily choose to come under various state and federal requirements 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 that provides a guarantee to employers that the graduate is fully qualified to do the job. An apprenticeship program that is registered with U.S. DOL/OA is referred to as a “sponsor.” Both union and non-union programs are sponsors. A “lead sponsor” is an organization representing a group of Registered Apprenticeship sponsors. Only sponsors or lead sponsors may apply for a 15B training grant.

Employer-Driven Model

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

Iowa currently has more than 700 Registered Apprenticeship programs in advanced manufacturing, energy, hospitality, construction, transportation, information technology and other fields, and the number of registered apprenticeships in Iowa is rising. In Federal Fiscal Year (FFY) 2016, 104 new programs were registered.³⁸ Iowa is first in the nation for the number of new programs registered in FFY 2016. 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. Per DOL, the post-apprenticeship employment rate is more than 87 percent and the average starting salary tops \$60,000 per year.

³⁸ The federal fiscal year is October 1 – September 30

Registered Apprenticeship Credentials

Registered Apprenticeship provides credentials equivalent to a two- or four-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. Persons who complete apprenticeship programs can attend and complete their postsecondary degrees at member colleges. Currently all 15 of Iowa's community colleges are members of the RACC.

Funding

An apprenticeship training fund is created as a revolving fund in the State Treasury under the control of the IEDA.³⁹ For Fiscal Year 2016, \$3 million was appropriated for the fund. 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 a Registered Apprenticeship training program.

15B Allocation Formula

Iowa Code section 15B.4 establishes a statutory formula to allocate training grants to eligible Registered Apprenticeship programs. Each sponsor or lead sponsor applying for a training grant must submit its total number of Registered Apprentices and Related Technical Instruction (RTI) hours for the most recent training year.⁴⁰ 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

The window of time during which apprenticeship programs may submit applications for training grants is January 1 through February 1. Two time periods are used in the 15B program:

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

³⁹ Iowa Code section 15B.3 (1).

⁴⁰ 261 Iowa Administrative Code 12.3 defines "training year" as the most recent calendar year.

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

The following example of a fictional registered apprenticeship program known as “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 a 15B funding application in which it sets out the total number of apprentices and RTI hours for the registered apprenticeship program for the most 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 2016 Application Cycle

During Fiscal Year 2016, a total of \$2.94 million was allocated to 43 eligible sponsors and lead sponsors representing 4,021 Registered Apprentices (Table 20) and 482 Registered Apprenticeship programs. Combined, these applicants represented more than 1.6 million contact hours. Grant recipients included employers from “mom and pop” businesses with as few as two apprentices to the largest registered apprenticeship program in the state with more than 1,000 apprentices who are employed throughout Iowa. Occupations represented in the program include plumbers, pipefitters, electricians, HVAC, cement masons, plasterers and painters, sheet metal workers, machinists, welders, fabricators and more.

Table 20
15B Awards
Fiscal Year 2016

Grant Recipients	Contact Hours	Registered Apprentices	Funds Awarded
43	1,654,224.22	4021	\$2,940,000.00

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