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TO: CO-CHAIRPERSONS SENATOR WILLIAM DOTZLER AND REPRESENTATIVE ROGER THOMAS AND MEMBERS OF THE SKILLED WORKER SHORTAGE STUDY COMMITTEE

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RE: BACKGROUND INFORMATION

Overview. This memorandum is intended to provide basic background information for use by Committee members prior to the first meeting, to be held on September 24, 2007, in Room 22 of the State Capitol Building in Des Moines. The memorandum provides basic information from the Code regarding state workforce training and career education programs, funds, tax credits, and related efforts. Attached to the memorandum are additional materials that may also be accessed on the Committee's webpage.

Skilled Worker Shortage Study Committee — Establishment. The Skilled Worker Shortage Study Committee was recommended by the Legislative Council's Studies Committee and approved by the Council on June 13, 2007. The Council charged the Committee with considering educational system improvements and other options to address shortages of skilled workers.

Iowa's unemployment rate of 3.9 percent for July 2007, while rising to its highest level in 16 months, is still below the federal

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rate of 4.6 percent.¹ Meanwhile, recent announcements regarding the Principal Financial Groups' intention to hire 1,500 new employees;² Google locating a \$600 million data center in Council Bluffs and planning to employ up to 200 people;³ and the Iowa Department of Economic Development's (DED) issuance of development awards to 14 projects all indicate the demand for skilled Iowa workers will be increasing in the near future.⁴

At a time when Iowa's need for skilled workers is increasing, the nation's workforce is aging as baby boomers, born between 1946 and 1964, are now between the ages of 43 and 61. While many boomers will want or need to work beyond retirement age, many will not want "to work as they did at age 35"⁵ and may require retraining to remain in or reenter the job market. All but four of Iowa's "99 counties experienced an increase from 2001 to 2004 in the percentage of the county workforce that was 55 and older. The largest increase was in Jefferson County. Of the total workforce employed in metropolitan statistical areas, about 13.8 percent was 55 and older; in nonmetropolitan area workplaces, the proportion was 16.5 percent."⁶ The Iowa Department of Workforce Development estimates that by 2012 "there will be roughly 100,000 vacancies ... in the state."⁷ Of these vacancies, "79 percent are expected to need someone with an associate's degree or less."⁸

Current Iowa Code Workforce and Career Training Provisions.

Statewide Work-based Learning Intermediary Network Program and Fund. In 2005, a Statewide Work-based Learning Intermediary Network Program was established in the Department of Education (DOE). A separate fund for the program was created in the State Treasury under the control of the department.⁹ State moneys have not been appropriated specifically for the program.

The purpose of the program is to build a seamless system of career, future workforce, and economic development in Iowa to better prepare students to make informed postsecondary education and career decisions; provide communication and coordination in order to build and sustain relationships between employers and local youth, the education system, and the community at large; connect students to local career opportunities; facilitate the sharing of best practices statewide by business and education leaders; provide a one-stop contact point for information useful to both educators and employers, including a state-level clearinghouse for internships, job shadowing experiences, and other workplace learning opportunities for students that are linked to the state's economic goals; implement services for all students, staff, and districts, and integrate workplace skills into the curriculum; develop work-based capacity with employers; improve the skills of Iowa's future workforce; and provide core services, which may include job shadowing and student internships.

¹ "Unemployment Rate Peaks for Year at 3.9 Percent," Iowa Workforce Development News Release, August 21, 2007, <http://www.iowaworkforce.org/news/2007/08212007.pdf>.

² "Businesses Look to Avoid Worker Shortage," WHO-TV, July 30, 2007, <http://www.whotv.com/global/story.asp?s=6858973&ClientType=Printable>.

³ "Google Exec Says Hiring to Begin Soon for New Council Bluffs Facility," O. Kay Henderson, Radio Iowa, June 20, 2007, <http://www.radioiowa.com/gestalt/go.cfm?objectId=45A29090-F1B3-95AB-3FE32559E1B7D652>.

⁴ New Economic Development Actions Could Create and Retain Over 2,700 Iowa Jobs, Office of the Governor, July 19, 2007, <http://www.iowalifechanging.com/document/lifeschdoc.asp>.

⁵ "Still Working," Gazette Online, *The Cedar Rapids Gazette*, July 2, 2007, <http://www.gazetteonline.com/apps/pbcs.dll/article?Date=20070702&Category=NEWS&ArtNo=70701027&SectionCat=&Template=printart>.

⁶ The Geographic Distribution and Characteristics of Older Workers in Iowa: 2004, U.S. Census Bureau, Issued June 2007, <http://www.census.gov/prod/2007pubs/ledow07ia.pdf>.

⁷ "State May Not Have Workers to Fill New Jobs: Experts Predict Worker Shortfall," KCCI-TV, July 20, 2007, <http://www.kcci.com/money/13720890/detail.html>.

⁸ Id.

⁹ Iowa Code § 256.40.

The department is directed to establish and facilitate a steering committee responsible for the development and implementation of the network of 15 regional work-based learning intermediary networks. Each regional network must establish an advisory council to develop and implement the regional network. Funds deposited in the fund are to be distributed to each region based on each region's K-12 enrollment, up to a limit of \$3 per student. Each regional network must match the grant with financial resources equal to at least 25 percent of the amount of the grant.

Workforce Training and Economic Development Fund. In 2003, the General Assembly passed H.F. 683, creating a Workforce Training and Economic Development Fund for each community college under Code section 260C.18A.¹⁰ The Act appropriated moneys from the Grow Iowa Values Fund to DED for each year of a three-year fiscal period beginning July 1, 2003, for deposit in the fund, to be used for job retention projects. The Code section requires that 70 percent of the moneys deposited be used on projects in the areas of advanced manufacturing, information technology and insurance, and life sciences which include the areas of biotechnology, health care technology, and nursing care technology. House File 927, enacted in 2007, provides for a \$2.5 million annual allocation from the Iowa Power Fund to DED for deposit into the Workforce Training and Economic Development Funds of the community colleges for use each year in the development and expansion of energy industry areas and for the department's North American Industrial Classification System for targeted industry areas established pursuant to Code section 260C.18A.

Projects implemented under the Iowa Industrial New Jobs Training and the Iowa Jobs Training Acts are eligible for funding. Moneys in the funds may be used for the development and implementation of career academies designed to provide new career preparation opportunities for high school students that are formally linked with postsecondary career and technical education programs, and for programs and courses that provide vocational and technical training and in-service training and retraining.¹¹

Iowa Industrial New Jobs Training Act. The Iowa Industrial New Jobs Training Act, enacted in 1983, establishes a program coordinated by DED in consultation with DOE. Rules adopted by DED are to be used by a community college in developing projects with new and expanding industrial new jobs training proposals. Under the program, a community college may enter into an agreement with a business to establish a project.¹² Costs of the project may be paid from one or a combination of the following sources:

- Incremental property taxes to be received or derived from an employer's business property where new jobs are created as a result of the project.
- New jobs credit from withholding to be received or derived from new employment resulting from the project.
- Tuition, student fees, or special charges fixed by the board of directors to defray program costs in whole or in part.
- Guarantee of payments to be received under the above.¹³

Iowa Jobs Training Act. The Iowa Jobs Training Act, enacted in 1985, directs DED, in consultation with DOE and the Department of Workforce Development, to coordinate the Jobs

¹⁰ 2003 Iowa Acts 1st Ex. ch. 2, §§ 76, 209

¹¹ Iowa Code § 260C.18A.

¹² Iowa Code § 260E.3.

¹³ Iowa Code § 260E.3.

Training Program.¹⁴ Under the Act, DED and the community colleges are authorized to fund business network training projects, high-technology apprenticeship programs, and entrepreneur development and support activities. A business network training project must include five or more businesses and be located in two or more community college districts.¹⁵

In 2003, a Job Retention Program was created to allow a community college and DED to enter into a job retention agreement for projects designed to train employees in return for a commitment by the participating employer to not move business operations outside the state for a period of at least 10 years.¹⁶

Accelerated Career Education Program Act. The Accelerated Career Education Program Act, enacted in 1999, permits an employer, a community college, any employee of an employer who represents a program job, and, if a bargaining agreement is in place, a representative of the employee bargaining unit, to come together to develop an employee training program. Tax credits are available for qualifying programs. The training program may include credit career, credit equivalent career, vocational, or technical educational coursework that results in a certificate, diploma, associate of science degree, or associate of applied science degree, or which consists of not less than 540 contact hours of classroom and laboratory instruction that results in the conferring of a certificate or other recognized competency-based credential issued by the community college.

Any agreement entered into by a community college must specify the funding sources that will be used to pay for the program costs, which may include program job credits from withholding, cash, or in-kind contributions by the employer, and tuition, fees, or special charges fixed by the community college. The employer must agree to interview graduating participants in the program and provide future hiring preferences. If an employer has more than four sponsored participants in the program, the employer must agree to offer a program job position to at least 25 percent of those participants who successfully complete the program. An agreement must provide for a wage level of no less than 200 percent of the federal poverty level for a family of two.

The employer and community college must certify to the Department of Revenue that the program job credits from withholding are in accordance with the program agreement. The DED administers the statewide allocation of program job credits, collects data related to the programs, and submits an annual report detailing program activities to the Governor and the General Assembly.¹⁷

Workforce-related Tax Credits.

The High Quality Job Creation Act. The High Quality Job Creation Program (HQJCP)¹⁸ replaced the New Jobs and Income Program, which was in effect from 1994 through June 2005, and the New Capital Investment Program, which was in effect from 2003 through June 2005. Under HQJCP, a business must be approved by DED and must meet certain criteria. Effective July 1, 2005, an additional \$1 million in research activities credit under HQJCP is available for expenses related to the development and deployment of innovative renewable energy generation components manufactured or assembled in Iowa. These expenses are not eligible for purposes of the federal research activities credit. A business eligible for this additional credit

¹⁴ Iowa Code § 260F.7.

¹⁵ Iowa Code §§ 260F.6, 260F.6A, 260F.6B.

¹⁶ Iowa Code § 260F.9.

¹⁷ Iowa Code ch. 260G.

¹⁸ Iowa Code §§ 15.335, 15.335A, 15A.9(8), 15E.196(4).

must be approved by DED. See the description of the Investment Tax Credit following for a further discussion of HQJCP. The credits described in this paragraph may be refunded or may be credited against the tax of the taxpayer for the following year.

New Jobs Tax Credit. The new jobs tax credit is available to a taxpayer who has entered into an agreement as part of a new jobs training project under Code chapter 260E and has increased employment by at least 10 percent. The credit is equal to 6 percent of the taxable wages paid to employees in new jobs or jobs directly related to new jobs for the taxable year in which the taxpayer elects to take the credit. An Iowa new jobs credit that exceeds the amount of the taxpayer's liability may be carried forward for up to 10 years.¹⁹

Investment Tax Credit. An investment tax credit is available to a taxpayer equal to an amount of up to 10 percent of the new investment directly related to new jobs created or buildings constructed by eligible businesses, including farmers' cooperatives primarily involved in the production of value-added products, under DED's New Jobs and Income Program (effective beginning 1994 through June 2005), for eligible businesses under the New Capital Investment Program (effective beginning 2003 through June 2005), or for eligible businesses locating in, developing in, or providing housing assistance in city or county designated enterprise zones (effective beginning 1997).²⁰

The New Jobs and Income Program and the New Capital Investment Program were replaced with HQJCP. Under the new program, a nonservice, nonretail business may be eligible to receive incentives if a certain number of listed criteria are met. These criteria relate to the amount of qualifying investment, whether the business has been relocated, the types of benefits provided to employees, the types of goods produced or manufactured, the amount of pretax profits invested in research and development, the amount of pretax profits invested in worker training and skills enhancement, whether an active productivity and safety improvement program is in place, and facility specifications. In determining eligibility under the program, DED must consider a variety of factors, including the quality of the jobs to be created, the impact of the proposed project on other businesses in competition with the business being considered, the impact to the state of the proposed project, efforts to hire workers of acquired or merged companies, preferences for hiring residents of the state, and whether known required environmental permits have been issued and regulations met. However, DED may waive any requirements of the program for good cause.

An eligible business must enter into an agreement with DED prior to receiving incentives under the program. For purposes of the new program, the tax credits of the replaced programs are retained. These include the research activities credit, the sales and use tax refund, the corporate tax credit for certain sales taxes paid by third-party developers, the investment tax credit, the insurance premium tax credit, and the property tax exemption. Various levels of these incentives are provided under HQJCP based on the number of new high quality jobs created and the amount of the qualifying investment made. A qualifying investment is a capital investment in real property, including the purchase price of land and existing buildings and structures, site preparation, improvements to the real property, building construction, and long-term lease costs. Qualifying investment also means a capital investment in depreciable assets. A recipient of incentives under HQJCP cannot receive any wage-benefits tax credits. A waiver process provides for a project-specific waiver from the average county wage calculations. Each calendar year, DED cannot approve more than \$3.6 million worth of investment tax credits and

¹⁹ Iowa Code § 422.11A.

²⁰ Iowa Code §§ 15E.193B(6), 15E.196(3), 422.11F(2).

insurance premium tax credits for projects with qualifying investments of less than \$1 million. These credits are effective for tax years ending on or after June 9, 2005.²¹

Legislation Enacted in 2007.

Credit Transfer and Articulation Internet Website. Division IV of S.F. 601 (§ 55) requires the State Board of Regents, in cooperation with DOE and the community colleges, to develop, maintain, and promote a user-friendly credit transfer and articulation internet website that allows lowans to know at the time of enrollment in a community college course whether the credit will be accepted by the state university of the student's choice, the category in which the university will apply the credit, and to which degree program or programs the university will apply the credit.

Targeted Industries Internship Program. House File 829 requires that DED, upon approval by the Economic Development Board, establish and administer a targeted industries internship program for students of Iowa community colleges, private colleges, or regents universities. An employer may receive financial assistance in an amount of \$1 for every \$2 paid by the employer to an intern. The amount of financial assistance is limited to \$3,100 for any single internship or \$9,300 for any single employer. In order to be eligible to receive financial assistance, the employer must have 500 or fewer employees and must be engaged in a targeted industry.

The DED is authorized to expend additional moneys that may become available from loan repayments or other recaptures of awards from federal economic stimulus funds. These moneys are allocated for the study and planning for the creation of a Statewide Lean Manufacturing Institute; for the study, planning, and creation of a statewide supplier capacity and product database; for the commercialization of orphaned technology; for information technology job training; for the Targeted Industries Internship Program; for the sponsorship of student competitions in the targeted industry areas; for the sponsorship of connectivity events to bring together private industry and public sector researchers to facilitate technology transfer; for the purpose of recruitment from out-of-state personnel to fulfill the executive-level management and operations needs of new and expanding companies in the targeted industries; for a statewide public awareness campaign aimed at educating lowans about the job career opportunities available in the targeted industries; and for deployment of equipment and training software that is current and competitive to Iowa's community colleges for use in training programs and courses related to the targeted industries.

Other Background Materials. The following materials are included to provide additional background information. They can be reviewed on the internet by clicking on the embedded link and can be printed. These and other materials distributed in connection with the meeting are posted on the interim committee's webpage at:

<http://www.legis.state.ia.us/asp/Committees/Committee.aspx?id=219>.

1. This Background Information Memorandum.
2. Executive Summary for *Tough Choices or Tough Times: The Report of the New Commission on the Skills of the American Workforce*, published by the National Center on Education and the Economy, 2007.

²¹ Iowa Code §§ 15.333, 15.335A, 15.336, 422.11F(2).

3. *Workforce Development and the States: A Primer for Policymakers*, by Michelle Larson-Krieg, published by the National Conference of State Legislatures, June 2007.
4. Information of Interest Available on the Internet:
 - *A State Leaders Action Guide to 21st Century Skills: A New Vision for Education*, published by the Partnership for 21st Century Skills, April 2007.
http://www.21stcenturyskills.org/index.php?option=com_content&task=view&id=221&Itemid=116.
 - *Are They Ready to Work? Employers' Perspectives on the Basic Knowledge and Applied Skills of New Entrants to the 21st Century U.S. Workforce*, published by the Conference Board, Partnership for 21st Century Skills, Corporate Voices for Working Families, and Society for Human Resources Management, 2006,
http://www.21stcenturyskills.org/documents/FINAL_REPORT_PDF09-29-06.pdf.
 - *Framework for 21st Century Learning*, published by the Partnership for 21st Century Skills, July 23, 2007,
http://www.21stcenturyskills.org/documents/frameworkflyer_072307.pdf.
 - *Career Pathways: A Strategy for Transforming America's Workforce Education Systems to Support Economic Growth*, The Progress of Education Reform 2007: Economic and Workforce Development, Vol. 8, No. 2, August 2007, Education Commission of the States, <http://www.ecs.org/clearinghouse/75/67/7567.pdf>.

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