

F I N A L R E P O R T

## RETRAINING &amp; RETOOLING IOWA WORKERS &amp; BUSINESSES STUDY COMMITTEE

January, 1988

The Retraining & Retooling Iowa Workers & Businesses Study Committee was established by the Legislative Council to develop funding mechanisms to retrain existing Iowa workers and retool businesses currently located in Iowa. Members serving on the Study Committee were:

Senator Michael E. Gronstal, Co-chairperson  
Representative John Groninga, Co-chairperson  
Senator Alvin V. Miller  
Senator John E. Soorholtz  
Representative Jack Hatch  
Representative Janet Metcalf

The Study Committee was initially granted two meetings and asked for and was granted two additional meetings. Meetings were held September 16, September 30, November 4, and December 9, 1987.

At the first meeting the Study Committee heard from individuals, specific businesses, the area community colleges, the Department of Economic Development, labor representatives, and the U. S. Department of Labor on the need for retraining and retooling businesses within the state generally and programs presently existing for retraining. At the next meeting, the Study Committee heard from Mr. Steve Duscha, Executive Director of the Employment Training Panel in California, and Mr. Jerry Burger, Director of the Industrial Training Program in Illinois, concerning the retraining and retooling programs in their respective states.

During the third meeting the Department of Economic Development presented an outline that covered the numerous public policy issues involved in setting up a state retraining program and listed under each issue various approaches available. The Study Committee reviewed this and tentatively selected an approach under each issue for purposes of preparing a bill draft for the next meeting. Possible funding for any retraining program was also discussed and included the use of the state's unemployment insurance structure and the fostering of individual training accounts to be used by workers to aid in meeting the costs of their future retraining.

The Study Committee at its last meeting diligently proceeded through the two bill drafts prepared for this purpose as a result of the previous meeting. After much discussion and perfecting, the Study Committee recommended the attached two bills entitled as follows:

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1. An Act relating to providing assistance to workers in existing businesses and providing an appropriation.

2. An Act relating to individual training accounts and providing, under certain conditions, for a deduction or credit based on deposits made into, and an exemption for interest earned on the accounts under the state individual income tax and providing a retroactive effective date for the tax provisions.

HOUSE FILE \_\_\_\_\_

BY (PROPOSED RETRAINING AND  
RETOOLING OF IOWA WORKERS  
AND BUSINESSES STUDY COM-  
MITTEE BILL)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to providing assistance to workers in existing  
2 businesses and providing an appropriation.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 7D.1 DEFINITIONS.

2 As used in this chapter, unless the context otherwise  
3 requires:

4 1. "Agreement" means a written contract between the board  
5 and a participating business which provides for the retraining  
6 of participating workers in a retraining program approved by  
7 the board.

8 2. "Applicant" means a business or group of businesses  
9 submitting an application for approval by the board.

10 3. "Area school" means a vocational school or a community  
11 college established under chapter 280A.

12 4. "Board" means the Iowa employment retraining board  
13 established pursuant to section 7D.4.

14 5. "Business" means a commercial enterprise engaged in  
15 interstate or intrastate commerce for the purpose of  
16 manufacturing, processing, or assembling products, conducting  
17 research and development, or providing services in interstate  
18 or intrastate commerce, but excludes retail, health, or  
19 professional services. "Business" does not include a  
20 commercial enterprise which closes or substantially reduces  
21 its operation in one area of this state and relocates  
22 substantially the same operation in another area of this  
23 state, but does include a commercial enterprise expanding its  
24 operations in another area of this state provided that  
25 existing operations of a similar nature are not closed or  
26 substantially reduced.

27 6. "Business production site" means a facility in which a  
28 business operates the means to manufacture, process, or  
29 assemble products or conduct research, or a center which  
30 provides services in intrastate or interstate commerce,  
31 excluding retail, health, or professional services.

32 7. "Fund" means the Iowa employment retraining fund  
33 established under section 7D.10.

34 8. "Job quality" means the value of an employment position  
35 to a business based on consideration of factors, including but

1 not limited to the following:

2 a. The dollar value of annual wages and benefits that a  
3 worker beginning in the position earns.

4 b. Whether the employment position is a permanent full-  
5 time, permanent part-time, temporary full-time, or temporary  
6 part-time position. If the position is other than permanent  
7 full-time, consideration of the value of the position shall  
8 include the number of hours demanded from the position each  
9 year.

10 c. The number of times in the last three years that the  
11 position has been occupied.

12 d. The number and type of similar employment positions in  
13 the area in which the business would reasonably employ  
14 workers.

15 9. "Participating business" means one or more existing  
16 businesses which are parties to an agreement as provided in  
17 section 7D.8.

18 10. "Participating worker" means a person who prior to  
19 being accepted into a retraining program is an employee of the  
20 participating business and whom the board determines is  
21 substantially at risk of becoming displaced within the  
22 following ten years, due to the retooling of the business.

23 11. "Person" means a natural person.

24 12. "Retooling" means upgrading, modernizing, or expanding  
25 a business to increase the production or efficiency of  
26 business operations, including replacing equipment,  
27 introducing new manufacturing processes, or changing  
28 managerial procedures.

29 13. "Retraining" means the process designed to instruct  
30 participating workers in skills related to the retooled  
31 operation of the participating business and includes any of  
32 the following skills:

33 a. Basic academic skills, including fundamental skills of  
34 reading, computation of numbers, and written and verbal  
35 communication required to successfully function in the

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1 workplace.

2 b. Job specific skills, including skills required to  
3 perform tasks of a specific employment position or cluster of  
4 employment positions.

5 14. "Retraining agency" means an area school, other public  
6 educational facility, private entity, or organization which  
7 provides retraining to workers.

8 15. "Retraining program" means a program for retraining  
9 participating workers, including a program established  
10 pursuant to section 7D.9.

11 Sec. 2. NEW SECTION. 7D.2 LEGISLATIVE FINDINGS.

12 The general assembly finds and declares the following:

13 1. The rapid retooling of Iowa businesses, including the  
14 dramatic introduction of new, highly technical manufacturing  
15 processes into Iowa industry, has contributed to increasing  
16 unemployment in the state by reducing the demand for unskilled  
17 and underskilled labor and making traditionally marketable job  
18 skills obsolete.

19 2. Corresponding to the increase in the number of workers  
20 displaced by the retooling of businesses, there is an  
21 increasing demand by those businesses for workers trained to  
22 perform new technical functions.

23 3. The mismatch between available labor and the needs of  
24 businesses harms the economic revitalization of the state by  
25 retarding the production and efficiency of retooling  
26 businesses, draining employer taxed contributions to the  
27 unemployment compensation fund, diverting state public  
28 assistance resources to support displaced workers, and  
29 stifling a sense of self-worth and economic independence of  
30 affected persons.

31 4. The unemployment compensation fund, designed to support  
32 workers suffering from short-term unemployment, is inadequate  
33 to assist workers displaced or threatened to be displaced  
34 permanently from businesses because those workers lack  
35 technical training necessary to perform new job skills

1 increasingly demanded in the job market.

2 5. The state finds it advantageous to divert a small  
3 fraction of total employer taxes, which otherwise would be  
4 contributed to the unemployment compensation fund, into an  
5 employment retraining fund administered to remedy structural  
6 imbalances in the job market and to assist employers and  
7 employees by fostering business expansion and job creation,  
8 minimizing unemployment costs to businesses, diversifying the  
9 state's economic base, supplying businesses with an available  
10 pool of workers trained to perform demanded skills, providing  
11 Iowans permanent jobs, increasing the flexibility in the  
12 skills of workers, minimizing public assistance payments to  
13 displaced workers, and encouraging in affected persons a sense  
14 of self-worth and economic independence.

15 6. Expenditures from the Iowa employment training fund  
16 used to support retraining programs shall supplement financial  
17 assistance available through other state and federal programs,  
18 without jeopardizing the fiscal integrity of the unemployment  
19 compensation fund. In addition, assistance under employment  
20 retraining programs shall not be used to replace, parallel,  
21 supplant, compete with, or duplicate assistance provided under  
22 other training programs sponsored by an employer, the state,  
23 or the federal government.

24 Sec. 3. NEW SECTION. 7D.3 MISSION OF THE BOARD.

25 The mission of the board is to administer the Iowa  
26 employment retraining fund and to provide financial assistance  
27 to participating businesses through grants, loans, or a  
28 combination of grants and loans for the purposes of promoting  
29 the long-term retention of jobs, and assisting businesses in  
30 need by retraining workers to perform functions related to  
31 retooled operations in those businesses.

32 Sec. 4. NEW SECTION. 7D.4 ESTABLISHMENT OF THE IOWA  
33 EMPLOYMENT RETRAINING BOARD.

34 1. The Iowa employment retraining board is established for  
35 the purposes of administering this chapter. The board shall

1 consist of nine members including the following:

2 a. Two members, appointed by the governor, who represent  
3 retraining agencies.

4 b. Two members, appointed by the governor, who represent  
5 labor.

6 c. Two members, appointed by the governor, who represent  
7 business.

8 d. One public member, appointed by the governor, with  
9 knowledge of retraining agencies, labor relations, or  
10 business.

11 e. The directors of the department of economic development  
12 and the department of employment services who shall serve as  
13 nonvoting members.

14 The members appointed by the governor shall serve three-  
15 year terms beginning and ending as provided in section 69.19.  
16 However, for their initial terms, two members shall be  
17 appointed to serve for one year, two members shall be  
18 appointed to serve two years, and three members shall be  
19 appointed to serve three years. A member is eligible for  
20 reappointment. A vacancy on the board shall be filled for the  
21 unexpired portion of the regular term in the same manner as  
22 regular appointments are made.

23 2. The board shall meet at least every other month and  
24 shall meet at the call of the chairperson or upon the written  
25 request to the chairperson of two or more voting members. The  
26 board shall annually elect a chairperson at the first annual  
27 meeting. The first annual meeting shall be held following the  
28 date for the beginning of the terms of new appointees other  
29 than appointees serving an unexpired term.

30 3. The members who are not employees of the state are  
31 entitled to receive forty dollars per diem for each day spent  
32 in performance of duties as members. All members shall be  
33 reimbursed for all actual and necessary expenses incurred in  
34 the performance of duties as members. The per diem and  
35 reimbursements shall be paid from the employment retraining

1 fund established pursuant to section 7D.10.

2 4. Four voting members constitute a quorum and the  
3 affirmative vote of a majority of the voting members present  
4 is necessary for any substantive action to be taken by the  
5 board. The majority shall not include any member who has a  
6 conflict of interest and a statement by a member that the  
7 member has a conflict of interest is conclusive for this  
8 purpose. A vacancy in the membership does not impair the  
9 right of a quorum to exercise all rights and perform all  
10 duties of the board, except at least six members must vote to  
11 approve financial assistance provided to a business in any  
12 year equaling more than five hundred thousand dollars as  
13 provided in section 7D.9.

14 5. The board shall be staffed by persons employed by the  
15 board and persons who are personnel of any state agency,  
16 including the department of economic development and the  
17 department of employment services, if the agency approves.

18 Sec. 5. NEW SECTION. 7D.5 DUTIES AND POWERS OF THE  
19 BOARD.

20 The board shall do all of the following:

21 1. Approve applications for retraining assistance and  
22 enter into retraining agreements, as provided in this chapter.

23 2. Refer a list of available retraining agencies to a  
24 business needing assistance to complete an application and  
25 maintain records relating to an application.

26 3. Establish minimum standards for considering  
27 applications, based on the contents of the application, and  
28 selection criteria as provided in section 7D.7.

29 4. Design retraining programs to assist businesses in  
30 retraining workers, and award loans, grants, or a combination  
31 of loans and grants under such programs to participating  
32 businesses.

33 5. Administer the fund and supervise all accounting and  
34 auditing procedures related to the fund in accordance with  
35 accepted accounting principles.

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1 6. Monitor retraining programs, including the supervision  
2 of the accounting and auditing of retraining program funds, to  
3 assist participating businesses.

4 7. Cooperate with other state and federal agencies  
5 involved in worker training programs, including the department  
6 of employment services and the department of economic  
7 development.

8 8. Assess the extended impact of this chapter, in  
9 conjunction with the department of employment services and  
10 department of economic development, upon economic development  
11 in the state, including the effects of retraining programs  
12 upon the unemployment rate, public assistance payments,  
13 business closings, business expansions, and the migration of  
14 workers out of and into the state.

15 9. Report to the governor and legislative council before  
16 the beginning of each session of the general assembly the  
17 following items:

18 a. The status of programs administered under this chapter.

19 b. The status of the fund, including the approximate  
20 balance of the fund.

21 c. The extended impact of this chapter upon economic  
22 development in the state, as required in subsection 9.

23 10. Adopt administrative rules pursuant to chapter 17A to  
24 implement and administer this chapter.

25 Sec. 6. NEW SECTION. 7D.6 RETRAINING APPLICATION.

26 1. A business may apply for retraining assistance under  
27 this chapter by submitting an application to the board. The  
28 application shall be on forms provided by the board.

29 Applications shall be submitted pursuant to rules adopted by  
30 the board.

31 2. The application shall contain business information  
32 regarding the business. Information which contains trade  
33 secrets or would give an advantage to competitors, as provided  
34 in section 22.7, shall be kept confidential. Business  
35 information shall be described by rules adopted by the board

1 and shall relate to state or federal programs under which the  
2 business has applied for training assistance, the impact of  
3 implementing the application's retraining proposal on  
4 competing businesses in the state, the employees of the  
5 business and their employment positions, the financial  
6 condition of the business, the retooling operations in place  
7 or planned to be in place, the local union or affiliate  
8 representing the employees of the business, the type of goods  
9 or services to be produced by retooling, and any other  
10 information determined to be relevant under rules adopted by  
11 the board.

12 3. The application shall contain a retraining proposal.  
13 The contents of the proposal shall be described by rules  
14 adopted by the board, and shall relate to the participating  
15 business, and applicable business production site, the  
16 retraining agency to service the business, the participating  
17 workers, the jobs resulting from retraining, the program under  
18 which the business is applying for retraining assistance, the  
19 cost of retraining, the coordination of the retraining program  
20 with other state or federal training programs in which the  
21 business is involved, the system to monitor the retraining  
22 program, and any other item required to be included by rules  
23 adopted by the board.

24 Sec. 7. NEW SECTION. 7D.7 APPROVAL OF APPLICANTS.

25 1. The board, in reviewing an application, shall consider  
26 the contents of the application, including the business  
27 information and the retraining proposal.

28 2. The board shall approve applications and award fi-  
29 nancial assistance based on selection criteria. The board  
30 shall score and rank the criteria according to the relative  
31 importance of the criteria. The importance assigned to each  
32 criterion shall be determined by rules adopted by the board.  
33 Approval of an application shall be based on selection  
34 criteria, which shall include but is not limited to the  
35 following:

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1 a. The total amount of dollars which have been invested in  
2 the business for the previous three years to increase  
3 productivity or efficiency, including capital improvements in  
4 retooling.

5 b. The total amount of dollars planned to be invested in  
6 the business for the following three years to increase  
7 productivity or efficiency, including capital improvements in  
8 retooling.

9 c. A ratio comparing the total amount of dollars invested  
10 or to be invested pursuant to paragraphs "a" and "b" plus the  
11 amount of profit in dollars made by the business in the pre-  
12 vious three years, to the amount of dollars proposed to assist  
13 the business in retraining.

14 d. The quality of jobs resulting from the retraining  
15 proposal.

16 e. The need of the proposed business for retraining as-  
17 sistance.

18 f. The number of businesses, contained in the retraining  
19 proposal, applying for combined assistance.

20 g. The endorsement of the labor union or affiliate which  
21 represents workers proposed to participate in retraining.

22 h. The degree to which the product made by the business'  
23 retooling operation is new, creates new market opportunities,  
24 or diversifies the state's economy.

25 i. The degree to which the business' retooling operation  
26 introduces new manufacturing processes into state industry.

27 j. The past performance of the proposed retraining agency  
28 in training persons, by considering the placement and reten-  
29 tion of former trainees and employer satisfaction with former  
30 trainees.

31 k. The result of a cost-benefit analysis which measures  
32 the value of the proposed retraining based upon job-related  
33 calculations, including but not limited to the number of  
34 participating workers in the proposal, the cost of retraining  
35 each worker, the dollar value of wages and benefits to be

1 earned by each retrained worker, and the market demand for the  
2 proposed retraining.

3 1. The procedure to evaluate the proposed retraining  
4 program and collect data required to make the evaluation,  
5 based on a procedure which monitors the retraining program,  
6 including accounting and auditing systems adequate to ensure  
7 the accuracy and reliability of expenditures recorded by the  
8 business and related to the proposed retraining.

9 m. The feasibility of implementing the retraining  
10 proposal.

11 3. Each applicant shall be notified in writing, within a  
12 time period established by rules adopted by the board, of the  
13 board's final disposition of the application.

14 Sec. 8. NEW SECTION. 7D.8 RETRAINING AGREEMENTS.

15 The board shall execute agreements based on applications  
16 submitted to the board. Agreements shall be executed on forms  
17 provided by the board. Parties to an agreement shall include  
18 the board and any participating business named in the  
19 application's proposal, and may include any other entity  
20 approved by the board and named in the application, including  
21 a retraining agency or a labor union or affiliate representing  
22 participating workers.

23 Sec. 9. NEW SECTION. 7D.9 RETRAINING PROGRAMS.

24 1. The board shall establish retraining programs to  
25 provide retraining assistance to businesses according to rules  
26 adopted by the board. The assistance shall include financial  
27 assistance composed of grants, loans, or a combination of  
28 grants and loans. The type of financial assistance may in-  
29 clude forgivable loans, assistance based on the performance of  
30 the participating business or on the retention of retrained  
31 workers in upgraded employment positions. However, the  
32 financial assistance awarded to a participating business must  
33 be based on the actual cost of retraining participating  
34 workers under the retraining program.

35 2. The board shall not award financial assistance through

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1 retraining programs equaling more than five hundred thousand  
 2 dollars in one year to any business unless approved by the  
 3 vote of at least six members of the board. However, in no  
 4 case shall the board award retraining assistance equaling more  
 5 than one million dollars in one year to any business.

6 Sec. 10. NEW SECTION. 7D.10 RETRAINING FUND.

7 An employment retraining fund to be administered by the  
 8 board is established. The fund shall receive employment  
 9 retraining contributions from contributory employers as  
 10 provided in section 96.36. The division of job service shall  
 11 collect the contributions and deposit the moneys collected in  
 12 an employment retraining account as provided in section 96.36.  
 13 Moneys in the employment retraining account shall be  
 14 transferred into the employment retraining fund as provided in  
 15 rules adopted by the board. The moneys in the fund are  
 16 appropriated to the board to carry out the purposes of this  
 17 chapter.

18 Sec. 11. Section 96.7, subsection 2, paragraph d,  
 19 contribution rate tables, Code Supplement 1987, is amended to  
 20 read as follows:

21	Approximate	Contribution Rate Tables							
22 Benefit	Cumulative								
23 Ratio	Taxable Pay-								
24 Rank	roll Limit	1	2	3	4	5	6	7	8
25									
26	1 4.8%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	2 9.5%	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28		0.1							
29	3 14.3%	0.4	0.2	0.1	0.1	0.0	0.0	0.0	0.0
30		0.3	0.1	0.0	0.0				
31	4 19.0%	0.7	0.4	0.3	0.2	0.1	0.0	0.0	0.0
32		0.6	0.3	0.2	0.1	0.0			
33	5 23.8%	1.0	0.6	0.5	0.3	0.2	0.1	0.0	0.0
34		0.9	0.5	0.4	0.2	0.1	0.0		
35	6 28.6%	1.3	0.8	0.7	0.4	0.3	0.2	0.1	0.0

1			<u>1.2</u>	<u>0.7</u>	<u>0.6</u>	<u>0.3</u>	<u>0.2</u>	<u>0.1</u>	<u>0.0</u>
2	7	33.3%	<del>1.6</del>	<del>1.1</del>	<del>0.9</del>	<del>0.6</del>	<del>0.4</del>	<del>0.3</del>	<del>0.2</del>
3			<u>1.5</u>	<u>1.0</u>	<u>0.8</u>	<u>0.5</u>	<u>0.3</u>	<u>0.2</u>	<u>0.1</u>
4	8	38.1%	<del>1.9</del>	<del>1.4</del>	<del>1.1</del>	<del>0.8</del>	<del>0.5</del>	<del>0.4</del>	<del>0.3</del>
5			<u>1.8</u>	<u>1.3</u>	<u>1.0</u>	<u>0.7</u>	<u>0.4</u>	<u>0.3</u>	<u>0.2</u>
6	9	42.8%	<del>2.2</del>	<del>1.7</del>	<del>1.3</del>	<del>1.0</del>	<del>0.6</del>	<del>0.5</del>	<del>0.4</del>
7			<u>2.1</u>	<u>1.6</u>	<u>1.2</u>	<u>0.9</u>	<u>0.5</u>	<u>0.4</u>	<u>0.3</u>
8	10	47.6%	<del>2.5</del>	<del>2.0</del>	<del>1.5</del>	<del>1.2</del>	<del>0.7</del>	<del>0.6</del>	<del>0.5</del>
9			<u>2.4</u>	<u>1.9</u>	<u>1.4</u>	<u>1.1</u>	<u>0.6</u>	<u>0.5</u>	<u>0.4</u>
10	11	52.4%	<del>2.8</del>	<del>2.4</del>	<del>1.8</del>	<del>1.4</del>	<del>0.8</del>	<del>0.7</del>	<del>0.6</del>
11			<u>2.7</u>	<u>2.3</u>	<u>1.7</u>	<u>1.3</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>
12	12	57.1%	<del>3.1</del>	<del>2.8</del>	<del>2.1</del>	<del>1.6</del>	<del>0.9</del>	<del>0.8</del>	<del>0.7</del>
13			<u>3.0</u>	<u>2.7</u>	<u>2.0</u>	<u>1.5</u>	<u>0.8</u>	<u>0.7</u>	<u>0.6</u>
14	13	61.9%	<del>3.6</del>	<del>3.2</del>	<del>2.4</del>	<del>1.8</del>	<del>1.1</del>	<del>0.9</del>	<del>0.8</del>
15			<u>3.5</u>	<u>3.1</u>	<u>2.3</u>	<u>1.7</u>	<u>1.0</u>	<u>0.8</u>	<u>0.7</u>
16	14	66.6%	<del>4.1</del>	<del>3.6</del>	<del>2.9</del>	<del>2.2</del>	<del>1.4</del>	<del>1.0</del>	<del>0.9</del>
17			<u>4.0</u>	<u>3.5</u>	<u>2.8</u>	<u>2.1</u>	<u>1.3</u>	<u>0.9</u>	<u>0.8</u>
18	15	71.4%	<del>4.7</del>	<del>4.2</del>	<del>3.4</del>	<del>2.6</del>	<del>1.8</del>	<del>1.1</del>	<del>1.0</del>
19			<u>4.6</u>	<u>4.1</u>	<u>3.3</u>	<u>2.5</u>	<u>1.7</u>	<u>1.0</u>	<u>0.9</u>
20	16	76.2%	<del>5.4</del>	<del>4.8</del>	<del>4.2</del>	<del>3.3</del>	<del>2.5</del>	<del>1.6</del>	<del>1.1</del>
21				<u>4.7</u>	<u>4.1</u>	<u>3.2</u>	<u>2.4</u>	<u>1.5</u>	<u>1.0</u>
22	17	80.9%	<del>6.1</del>	<u>5.4</u>	<u>5.4</u>	<del>4.3</del>	<del>3.5</del>	<del>2.4</del>	<del>1.6</del>
23			<u>6.0</u>			<u>4.2</u>	<u>3.4</u>	<u>2.3</u>	<u>1.5</u>
24	18	85.7%	<del>7.0</del>	<del>6.7</del>	<del>6.3</del>	<u>5.4</u>	<u>5.4</u>	<del>3.9</del>	<del>2.5</del>
25			<u>6.9</u>	<u>6.6</u>	<u>6.2</u>			<u>3.8</u>	<u>2.4</u>
26	19	90.4%	<del>8.0</del>	<del>8.0</del>	<del>7.3</del>	<del>6.6</del>	<del>6.0</del>	<u>5.4</u>	<del>3.9</del>
27			<u>7.9</u>	<u>7.9</u>	<u>7.2</u>	<u>6.5</u>	<u>5.9</u>		<u>3.8</u>
28	20	95.2%	<del>8.5</del>	<del>8.5</del>	<del>8.5</del>	<del>7.8</del>	<del>7.2</del>	<del>6.4</del>	<u>5.4</u>
29			<u>8.4</u>	<u>8.4</u>	<u>8.4</u>	<u>7.7</u>	<u>7.1</u>	<u>6.3</u>	
30	21	100.0%	<del>9.0</del>	<del>9.0</del>	<del>9.0</del>	<del>9.0</del>	<del>8.4</del>	<del>7.4</del>	<del>6.4</del>
31			<u>8.9</u>	<u>8.9</u>	<u>8.9</u>	<u>8.9</u>	<u>8.3</u>	<u>7.3</u>	<u>6.3</u>

32 Sec. 12. NEW SECTION. 96.36 EMPLOYMENT RETRAINING

33 ACCOUNT.

34 1. In addition to the contribution paid by a contributory  
35 employer, according to the contribution rate tables set forth

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1 in section 96.7, subsection 2, paragraph "d", the employer  
 2 shall contribute to an employment retraining account one-tenth  
 3 of one percent of the employer's taxable wages.

4 2. The division shall adopt rules consistent with chapter  
 5 17A relating to contributions to the employment retraining  
 6 account. Matters relating to the collection of contributions  
 7 by employers to the employment retraining account, including  
 8 reporting procedures, determining a contribution is delinquent  
 9 and the amount of employer liability, methods of collecting  
 10 delinquent contributions, procedures for an employer to  
 11 contest or appeal a determination, and procedures for judicial  
 12 review, shall be administered by the division as if the matter  
 13 related to the collection of an employer contribution to the  
 14 unemployment compensation fund required by section 96.7.

15 3. Moneys in the employment retraining account shall be  
 16 transferred by the division to the employment retraining fund  
 17 pursuant to section 7D.10.

18

## EXPLANATION

19 This bill relates to assisting businesses in the state in  
 20 the retraining of certain workers.

21 Section 1 provides definitions.

22 Section 2 sets out legislative findings regarding the need  
 23 for a labor force able to meet demand in retooling Iowa  
 24 businesses.

25 Section 3 sets out the mission of the Iowa employment re-  
 26 training board in assisting businesses and workers in retrain-  
 27 ing.

28 Section 4 provides for the establishment of the board, in-  
 29 cluding the procedure for appointing members of the board and  
 30 for setting their terms of service.

31 Section 5 lists the duties of the board.

32 Section 6 provides for the contents of an application for  
 33 retraining assistance by businesses, including required  
 34 business information, and a retraining proposal.

35 Section 7 establishes criteria to be used in approving

1 applications.

2 Section 8 requires the board and affected parties to  
3 execute a retraining agreement.

4 Section 9 provides for the establishment of retraining pro-  
5 grams.

6 Section 10 provides for the establishment of a retraining  
7 fund created by diverting a percentage of funds from taxes  
8 which otherwise would be contributed to the unemployment  
9 compensation fund.

10 Sections 11 and 12 relate to reducing the unemployment  
11 insurance tax by .1% and to the imposition of an employment  
12 retraining tax by the division of job service.

13 COMPANION TO LSB 7668IS

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HOUSE FILE \_\_\_\_\_

BY (PROPOSED RETRAINING AND RETOOLING  
IOWA WORKERS AND BUSINESSES STUDY  
COMMITTEE BILL)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to individual training accounts and providing,  
2 under certain conditions, for a deduction or credit based on  
3 deposits made into, and an exemption for interest earned on  
4 the accounts under the state individual income tax and  
5 providing a retroactive effective date for the tax provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 96A.1 INDIVIDUAL TRAINING  
2 ACCOUNT.

3 1. An individual may open special savings accounts to be  
4 known as "Individual Training Accounts" at a bank, savings and  
5 loan association, or credit union located within the state for  
6 the purpose of setting aside moneys of the individual during  
7 periods of employment to be used by the individual for job-  
8 related training during periods of unemployment or  
9 underemployment. The maximum amount that an individual may  
10 deposit in that person's individual training account shall not  
11 exceed five thousand dollars in the aggregate. If an  
12 individual opens more than one account the maximum amount that  
13 may be deposited in all the accounts combined shall not exceed  
14 five thousand dollars in the aggregate.

15 2. An individual is entitled to an individual income tax  
16 deduction or credit based on the amount deposited by the  
17 individual in that person's individual training accounts  
18 during the tax year as provided in section 422.9, subsection 2  
19 or section 422.12.

20 3. Interest received or accrued during the tax year on  
21 moneys in a person's individual training accounts is exempt  
22 from the state individual income tax for that tax year.

23 Sec. 2. NEW SECTION. 96A.2 WITHDRAWALS.

24 An individual may withdraw, without penalty, funds,  
25 including interest earned, from an individual training account  
26 only if the individual is in one of the following situations:

27 1. Unemployed.

28 2. Unemployed and in an approved training program.

29 3. Underemployed and in an approved training program for  
30 other than a professional degree.

31 4. Receiving work experience or in an approved training  
32 program.

33 5. Retired.

34 For purposes of this section, "unemployed" means total  
35 unemployment as defined in section 96.19, subsection 9,

1 paragraph "a"; "approved training program" means a training  
2 program for which the individual has received certification  
3 from the division of job service that the training program is  
4 an approved one; and "retired" means the individual is  
5 receiving retirement benefits under social security or any  
6 other public or private pension.

7 For purposes of determining the amount of unemployment  
8 benefits an individual may receive under chapter 96, amounts  
9 withdrawn during the period the individual is unemployed shall  
10 not be considered income or wages.

11 If an individual withdraws funds from an individual  
12 training account while not in any of the situations described  
13 in subsections 1 through 5, all interest received on all that  
14 person's individual training accounts which was exempt from  
15 state tax for any tax year and has not subsequently been taxed  
16 by the state is taxable in the year the withdrawal is made  
17 even if the amount withdrawn is less than the amount of  
18 interest that was exempt.

19 Sec. 3. NEW SECTION. 96A.3 ADMINISTRATION.

20 As soon as possible following the end of each calendar  
21 year, a bank, savings and loan association, or credit union at  
22 which an individual training account was open at any time  
23 during the calendar year shall send, on forms designated by  
24 the department of revenue and finance, a statement on the  
25 activities of the account, including the crediting of  
26 interest, that occurred during the calendar year to the  
27 individual whose account it is and the department of revenue  
28 and finance.

29 Within two weeks of a withdrawal of funds from an  
30 individual training account, the bank, savings and loan  
31 association, or credit union shall notify the department of  
32 revenue and finance of such fact and other information the  
33 department deems necessary for purposes of determining if the  
34 withdrawal will result in the taxability of any interest  
35 credited to the account. Notwithstanding any provision in

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1 chapter 96, the division of job service shall provide  
2 sufficient information to the department of revenue and  
3 finance to aid it in determining if the withdrawal will result  
4 in the taxability of any interest credited to the account.

5 The division of job service, pursuant to rules adopted by  
6 the division consistent with chapter 17A, shall approve and  
7 supervise training programs conducted by businesses, labor  
8 unions, organizations representing business or labor, state,  
9 federal, or private training agencies, and educational  
10 institutions, for the purpose of providing employment training  
11 for which funds from individual training accounts could be  
12 used to finance a person's training. In approving a person to  
13 participate in a training program, the division shall consider  
14 the following criteria:

15 1. The availability of reasonable employment opportunities  
16 for which the person is fitted by training or experience in  
17 the locality where the person is residing or willing to move  
18 and the necessity for the person to change occupations due to  
19 a lack of employment opportunities for which the person is  
20 fitted in the locality.

21 2. The necessity for the person to change occupations due  
22 to a lack of employment opportunities for which the person is  
23 fitted in the locality where the person is residing or willing  
24 to move due to the person's lack of current skills or  
25 education or due to the person's health, disability, or other  
26 compelling factors.

27 3. Whether the training is necessary for the person who  
28 has unusable or obsolete skills to enable the person to obtain  
29 adequate employment.

30 4. Whether the training for the person relates to an  
31 occupation or a skill for which there is, or is expected to be  
32 in the immediate future, reasonable opportunities in the  
33 locality where the person is residing or in a location to  
34 which the person is willing to move.

35 5. Whether the person has the required qualifications and

1 aptitudes to successfully complete the training. However,  
2 basic education courses, which are necessary as a prerequisite  
3 for skill training, or other short-term vocationally directed  
4 academic courses may also be approved.

5 6. Whether the training program consists of a practical  
6 and substantial curriculum to substantiate the expenditure of  
7 job insurance funds.

8 7. Whether the person furnishes to the division  
9 satisfactory evidence that the person is attending the  
10 training course regularly and is making satisfactory progress  
11 in an approved training course.

12 The division of job service shall provide certification for  
13 an individual, upon request of the individual, that the  
14 training the individual is receiving is from a program  
15 approved by the division under this subsection.

16 As used in this chapter "training" means vocational or  
17 technical training or retraining in schools or classes  
18 including, but not limited to, field or laboratory work and  
19 remedial or academic and technical instruction that is  
20 conducted as a program designed to prepare persons for gainful  
21 employment in recognized or new occupations. The term  
22 "training" does not include programs of instruction for a  
23 person, including transfer credit programs of instruction  
24 given at community colleges, which are primarily intended to  
25 lead toward a baccalaureate or higher degree or training that  
26 has for its purpose the preparation of persons for employment  
27 in occupations which require a baccalaureate or higher degree  
28 from institutions of higher education.

29 Sec. 4. Section 422.7, Code Supplement 1987, is amended by  
30 adding the following new subsections:

31 NEW SUBSECTION. Subtract interest from individual training  
32 accounts as authorized in section 96A.1, subsection 3.

33 NEW SUBSECTION. Add interest from individual training  
34 accounts which was previously exempt from state tax, which has  
35 not subsequently been taxed by the state, and which becomes

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1 subject to the tax as provided in section 96A.2.

2 Sec. 5. Section 422.9, subsection 2, Code Supplement 1987,  
3 is amended by adding the following new lettered paragraph:

4 NEW LETTERED PARAGRAPH. Add the amount, not to exceed two  
5 hundred dollars, the taxpayer has deposited in that taxpayer's  
6 individual training account during the tax year for purposes  
7 of chapter 96A. If the taxpayer deposited more than two  
8 hundred dollars during the tax year, the taxpayer may carry  
9 forward the excess for deduction for following tax years until  
10 used up. However, the maximum amount of deductions a taxpayer  
11 may take for all tax years shall not exceed five thousand  
12 dollars. For purposes of this paragraph, the amount the  
13 taxpayer has carried forward from a previous tax year under  
14 this paragraph is considered as being deposited in the present  
15 tax year.

16 Sec. 6. Section 422.12, Code 1987, is amended by adding  
17 the following new subsection:

18 NEW SUBSECTION. For those taxpayers who do not itemize  
19 their deductions, an individual training account credit equal  
20 to five percent of the amount, not to exceed forty dollars,  
21 deposited by the taxpayer in that person's individual training  
22 accounts during the tax year for purposes of chapter 96A.  
23 However, the maximum amount of credits a taxpayer may take for  
24 all tax years shall not exceed two hundred fifty dollars.

25 Sec. 7. Sections 4, 5, and 6 of this Act are retroactive  
26 to January 1, 1988, for tax years beginning on or after that  
27 date.

28 EXPLANATION

29 The bill allows for the opening by individuals of special  
30 savings accounts to be known as "Individual Training Accounts"  
31 (ITA) with banks, savings and loan associations, or credit  
32 unions within the state. The opening of the ITA and the  
33 making of deposits into it are voluntary. The purpose of an  
34 ITA is to allow an individual while working to contribute to  
35 the individual's own training fund to be used to pay the cost

1 of the individual's training during periods of unemployment.  
2 The bill provides for an individual state income tax deduction  
3 for itemizers of up to \$200 per year and \$5000 in the ag-  
4 gregate for all tax years and for an individual state income  
5 tax credit for nonitemizers of up to \$40 per year and \$250 in  
6 the aggregate for all tax years for deposits made to the ITA.  
7 Interest earned on the ITA would be exempt from state tax.  
8 The individual could make withdrawals from the ITA only if the  
9 person is unemployed, unemployed and in an approved training  
10 program, underemployed and in an approved training program for  
11 other than a professional degree, receiving work experience or  
12 in an approved training program, or retired. If the  
13 individual makes a withdrawal under different situations, then  
14 all interest from the ITA that was exempt for any previous tax  
15 year becomes taxable. The tax provisions are effective for  
16 tax years beginning in the 1988 calendar year.

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