

MAR 5 1996

Place On Calendar

HOUSE FILE 2461
BY COMMITTEE ON ECONOMIC
DEVELOPMENT

(SUCCESSOR TO HSB 694)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to department of economic development programs
2 and economic development benefits, including the workforce
3 development fund program and the Iowa small business new jobs
4 training Act, establishing a rural microbusiness assistance
5 program, and increasing the funds available for the value-
6 added agricultural products and processes program.

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

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HF 2461

1 Section 1. Section 15.343, subsection 1, paragraph c,
2 unnumbered paragraph 1, Code Supplement 1995, is amended to
3 read as follows:

4 Repayment moneys pursuant to section 422.16A~~7-up-to-a~~
5 ~~maximum-of-two-million-dollars-each-year.~~

6 Sec. 2. Section 15.343, subsection 1, Code Supplement
7 1995, is amended by adding the following new paragraph:

8 NEW PARAGRAPH. d. The innovative skill development
9 account created in section 15.349.

10 Sec. 3. NEW SECTION. 15.349 INNOVATIVE SKILL DEVELOPMENT
11 ACCOUNT.

12 An innovative skill development account is created within
13 the workforce development fund to be used by the department to
14 support innovative skill development training for Iowa
15 businesses. Training to be funded shall include but is not
16 limited to business network training programs, innovative
17 apprenticeship programs, and critical skill training for
18 industries experiencing labor shortages. The department shall
19 adopt rules governing the operation of and eligibility for
20 participation beginning July 1, 1996, in the account.

21 Sec. 4. Section 15E.112, subsection 1, Code 1995, is
22 amended to read as follows:

23 1. A value-added agricultural products and processes
24 financial assistance fund is created within the state treasury
25 under the control of the department. The fund shall consist
26 of any money appropriated by the general assembly and any
27 other moneys available to and obtained or accepted by the
28 department from the federal government or private sources for
29 placement in the fund. Until July 1, 2000, moneys shall be
30 deposited in the fund as provided in section 423.24. Not more
31 than ~~one~~ four percent of the total moneys available to support
32 value-added agricultural products and processes pursuant to
33 section 423.24 during each quarter shall be used by the
34 department for administration of the value-added agricultural
35 products and processes financial assistance program, as

1 provided in section 15E.111. The assets of the fund shall be
2 used by the department only for carrying out the purposes of
3 section 15E.111.

4 Sec. 5. NEW SECTION. 15E.113 MICROBUSINESS RURAL
5 ENTERPRISE ASSISTANCE.

6 1. As used in this section:

7 a. "Department" means the department of economic
8 development.

9 b. "Microbusiness" or "microbusiness enterprise" means a
10 business producing services with five or fewer full-time
11 equivalent employee positions and with assistance requirements
12 of not more than twenty-five thousand dollars.

13 c. "Microbusiness organization" means a nonprofit
14 corporation organized under chapter 504A which is exempt from
15 taxation pursuant to section 501(c) of the Internal Revenue
16 Code and which has a principal mission of actively engaging in
17 microbusiness development, training, technical assistance, and
18 capital access for the start-up or expansion of
19 microbusinesses.

20 2. The department may allocate from the value-added
21 agricultural products and processes financial assistance fund
22 an amount equal to one and one-quarter percent of the total
23 moneys used to support value-added agricultural products and
24 processes as provided in section 423.24 during each quarter to
25 be used for the purpose of conducting a microbusiness rural
26 enterprise assistance program.

27 3. The department may contract with a microenterprise
28 organization actively engaged in microbusiness enterprise to
29 assist in the establishment of this program. In order to
30 qualify for the contract, the microenterprise organization
31 shall do all of the following:

32 a. Demonstrate a past performance of and a capacity to
33 successfully engage in microbusiness development.

34 b. Have a statewide commitment to and focus on
35 microbusiness development.

1 c. Provide training and technical assistance.

2 d. Demonstrate an ability to provide access to capital for
3 start-up or expansion of a microbusiness.

4 e. Have established linkages with financial institutions.

5 f. Demonstrate an ability to provide follow-up technical
6 assistance after a microbusiness start-up or expansion.

7 4. Moneys allocated pursuant to this section which remain
8 unexpended or unobligated at the end of a fiscal year shall
9 remain available to the department to support the assistance
10 program or may be credited to the value-added agricultural
11 products and processes financial assistance fund created in
12 section 15E.112 and shall not revert notwithstanding section
13 8.33.

14 5. The department shall submit a report in accordance with
15 section 7A.11 not later than November 1 of each year detailing
16 the activities of the microenterprise organization and
17 describing the success of the project.

18 Sec. 6. NEW SECTION. 15E.175 SUPPLEMENTAL NEW JOBS
19 CREDIT FROM WITHHOLDING.

20 In order to promote the creation of additional high quality
21 new jobs within the state, an agreement under section 260E.3
22 may include a provision for a supplemental new jobs credit
23 from withholding from jobs created under the agreement. A
24 provision in an agreement for which a supplemental credit from
25 withholding is included shall provide for the following:

26 1. That the project shall be administered in the same
27 manner as a project under chapter 260E and that a supplemental
28 new jobs credit from withholding in an amount equal to one and
29 one-half percent of the gross wages paid by the employer
30 pursuant to section 422.16 is authorized to fund the program
31 services for the additional project.

32 2. That the supplemental new jobs credit from withholding
33 shall be collected, accounted for, and may be pledged by the
34 community college in the same manner as described in section
35 260E.5.

1 3. To provide funds for the payment of the costs of the
2 additional project, a community college may borrow money,
3 issue and sell certificates, and secure the payment of the
4 certificates in the same manner as described in section
5 260E.6, including, but not limited to, providing the
6 assessment of an annual levy as described in section 260E.6,
7 subsection 4. The program and credit authorized by this
8 subsection is in addition to, and not in lieu of, the program
9 and credit authorized in chapter 260E.

10 Sec. 7. Section 260F.1, Code 1995, is amended to read as
11 follows:

12 260F.1 TITLE.

13 This chapter shall be known and may be cited as the "Iowa
14 ~~small-business-new~~ jobs training Act".

15 Sec. 8. Section 260F.2, Code 1995, is amended to read as
16 follows:

17 260F.2 DEFINITIONS.

18 When used in this chapter, unless the context otherwise
19 requires:

20 1. "Agreement" is the agreement between a business and a
21 community college concerning a project.

22 ~~2. "Board of directors" means the board of directors of a~~
23 ~~community college.~~

24 ~~3.~~ 2. "Community college" means a community college
25 established under chapter 260C.

26 ~~4.~~ 3. "Date of commencement of the project" means the date
27 of the preliminary agreement or the date an application for
28 assistance is received by the department.

29 4. "Department" means the department of economic
30 development.

31 5. "Eligible business" or "business" means a business
32 training employees which is engaged in interstate or
33 intrastate commerce for the purpose of manufacturing,
34 processing, or assembling products, conducting research and
35 development, or providing services in interstate commerce, but

1 excludes retail, health, or professional services and which
2 meets the other criteria established by the Iowa department of
3 economic-development. ~~"Eligible-business"-does-not-include-a
4 business-which-closes-or-substantially-reduces-its-operation
5 in-one-area-of-the-state-of-Iowa-and-relocates-substantially
6 the-same-operation-in-another-area-of-the-state-of-Iowa.--This
7 subsection-does-not-prohibit-a-business-from-expanding-its
8 operations-in-another-area-of-the-state-provided-that-existing
9 operations-of-a-similar-nature-are-not-closed-or-substantially
10 reduced.--~~"Small "Eligible business" does not include a
11 business whose training costs can be economically funded under
12 chapter 260E, a business which closes or reduces its
13 employment base by twenty-five percent or more in order to
14 relocate substantially the same operation to another area, or
15 a business which is involved in a strike, lockout, or other
16 labor dispute.

17 ~~"Eligible-business"-includes-the-following:~~

18 ~~a.--Retraining-business-which-is-currently-conducting
19 retooling-of-a-production-facility-~~

20 ~~b.--Small-business-which-meets-other-criteria-established
21 by-the-department-of-economic-development-relating-to-business
22 size-~~

23 6. "Employee" means ~~the-person-employed-in-a-new-job-by-a
24 small-business-or~~ a person currently employed by a business
25 who is to be retrained trained. However, "employee" does not
26 include replacement workers who are hired as a result of a
27 strike, lockout, or other labor dispute.

28 ~~7.--"Incremental-property-taxes"-means-the-taxes-as
29 provided-in-section-260F.4-~~

30 ~~8-~~ 7. "Jobs training program" or "program" means the
31 project or projects established by a community college for the
32 ~~creation-of-jobs-by-providing-education-and-training-of
33 workers-for-new-jobs-for-a-new-or-expanding-small-business-or
34 for-the-retraining-of-workers-of-an-existing-business~~ training
35 of employees.

1 3. To provide funds for the payment of the costs of the
2 additional project, a community college may borrow money,
3 issue and sell certificates, and secure the payment of the
4 certificates in the same manner as described in section
5 260E.6, including, but not limited to, providing the
6 assessment of an annual levy as described in section 260E.6,
7 subsection 4. The program and credit authorized by this
8 subsection is in addition to, and not in lieu of, the program
9 and credit authorized in chapter 260E.

10 Sec. 7. Section 260F.1, Code 1995, is amended to read as
11 follows:

12 260F.1 TITLE.

13 This chapter shall be known and may be cited as the "Iowa
14 ~~small-business-new~~ jobs training Act".

15 Sec. 8. Section 260F.2, Code 1995, is amended to read as
16 follows:

17 260F.2 DEFINITIONS.

18 When used in this chapter, unless the context otherwise
19 requires:

20 1. "Agreement" is the agreement between a business and a
21 community college concerning a project.

22 ~~2. "Board-of-directors" means the board-of-directors-of-a~~
23 ~~community-college.~~

24 ~~3.~~ 2. "Community college" means a community college
25 established under chapter 260C.

26 ~~4.~~ 3. "Date of commencement of the project" means the date
27 of the preliminary agreement or the date an application for
28 assistance is received by the department.

29 4. "Department" means the department of economic
30 development.

31 5. "Eligible business" or "business" means a business
32 training employees which is engaged in interstate or
33 intrastate commerce for the purpose of manufacturing,
34 processing, or assembling products, conducting research and
35 development, or providing services in interstate commerce, but

1 excludes retail, health, or professional services and which
2 meets the other criteria established by the Iowa department of
3 economic-development. "Eligible-business"-does-not-include-a
4 business-which-closes-or-substantially-reduces-its-operation
5 in-one-area-of-the-state-of-Iowa-and-relocates-substantially
6 the-same-operation-in-another-area-of-the-state-of-Iowa.--This
7 subsection-does-not-prohibit-a-business-from-expanding-its
8 operations-in-another-area-of-the-state-provided-that-existing
9 operations-of-a-similar-nature-are-not-closed-or-substantially
10 reduced.--"Small "Eligible business" does not include a
11 business whose training costs can be economically funded under
12 chapter 260E, a business which closes or reduces its
13 employment base by twenty-five percent or more in order to
14 relocate substantially the same operation to another area, or
15 a business which is involved in a strike, lockout, or other
16 labor dispute.

17 "Eligible-business"-includes-the-following:

18 a.--Retraining-business-which-is-currently-conducting
19 retooling-of-a-production-facility.

20 b.--Small-business-which-meets-other-criteria-established
21 by-the-department-of-economic-development-relating-to-business
22 size.

23 6. "Employee" means the-person-employed-in-a-new-job-by-a
24 small-business-or a person currently employed by a business
25 who is to be retrained trained. However, "employee" does not
26 include replacement workers who are hired as a result of a
27 strike, lockout, or other labor dispute.

28 7.--"Incremental-property-taxes"-means-the-taxes-as
29 provided-in-section-260F-4.

30 8. 7. "Jobs training program" or "program" means the
31 project or projects established by a community college for the
32 creation-of-jobs-by-providing-education-and-training-of
33 workers-for-new-jobs-for-a-new-or-expanding-small-business-or
34 for-the-retraining-of-workers-of-an-existing-business training
35 of employees.

1 9.---"New-job"-means-a-job-in-a-new-or-expanding-small
2 business-but-does-not-include-jobs-of-recalled-workers,-or
3 replacement-jobs-or-other-jobs-that-formerly-existed-in-the
4 small-business-in-the-state-of-Iowa-

5 10.---"New-jobs-credit-from-withholding"-means-the-credit-as
6 provided-in-section-260F-5-

7 11. 8. "Participating business" means the-small-business
8 providing-new-jobs-or-retraining-jobs-and a business training
9 employees which enters into an agreement with the community
10 college.

11 12. 9. "Program costs" means all necessary and incidental
12 costs of providing program services.

13 13. 10. "Program services" includes but is not limited to
14 the following:

15 a.---New-jobs-training-

16 b. a. Retraining Training of existing-workers employees.

17 c. b. Adult basic education and job-related instruction.

18 d. c. Vocational and skill-assessment services and
19 testing.

20 e. d. Training facilities, equipment, materials, and
21 supplies.

22 f.---On-the-job-training-

23 g. e. Administrative expenses for the jobs training
24 program.

25 h. f. Subcontracted services with institutions governed by
26 the state board of regents, private colleges or universities,
27 or other federal, state, or local agencies.

28 i. g. Contracted or professional services.

29 14. 11. "Project" means a training arrangement which is
30 the subject of an agreement entered into between the community
31 college and a business to provide program services.

32 15.---"Retooling"-means-upgrading,-modernizing,-or-expanding
33 a-business-to-increase-the-production-or-efficiency-of

34 business-operations-including,-but-not-limited-to,-replacing
35 equipment,-introducing-new-manufacturing-processes,-or

1 ~~changing-managerial-procedures.~~

2 ~~16.---"Retraining-job" means a job with an existing business~~
3 ~~that is substantially at risk of becoming displaced within the~~
4 ~~following ten years due to the retooling of the business.~~

5 Sec. 9. Section 260F.3, Code 1995, is amended by striking
6 the section and inserting in lieu thereof the following:

7 260F.3 AGREEMENT.

8 A community college may enter into an agreement to
9 establish a project. An agreement shall provide for, but is
10 not limited to, the following:

- 11 1. Date of agreement.
- 12 2. Anticipated number of employees to be trained.
- 13 3. Estimated cost of training.
- 14 4. Anticipated dates of commencement and termination of
- 15 training.
- 16 5. Other criteria established by the department.

17 Sec. 10. Section 260F.6, subsection 2, Code Supplement
18 1995, is amended to read as follows:

19 2. To provide funds for the present payment of the costs
20 of a training program by the business, the community college
21 may provide to the business an advance of the moneys to be
22 used to pay for the program costs as provided in the
23 agreement. To receive the funds for this advance from the job
24 training fund established in subsection 1, the community
25 college shall submit an application to the department of
26 economic development. The amount of the advance shall not
27 exceed fifty twenty-five thousand dollars for any project
28 business site, or fifty thousand dollars within a three-
29 fiscal-year period for any business site. ~~The advance, if the~~
30 ~~agreement provides it as a loan, shall be repaid with interest~~
31 ~~from the sources provided in the agreement.---The rate of~~
32 ~~interest to be charged for advances made in a calendar month~~
33 ~~is equal to one-half of the average rate of interest on tax~~
34 ~~exempt certificates issued by community colleges pursuant to~~
35 ~~chapter 260E for the previous twelve months.---The rate shall~~

1 ~~be-computed-by-the-department-of-economic-development.~~ If the
2 project involves a consortium of businesses, the maximum award
3 per project shall not exceed fifty thousand dollars.

4 Participation in a consortium does not affect a business
5 site's eligibility for individual project assistance. Prior
6 to approval a business shall agree to match program amounts in
7 accordance with criteria established by the department.

8 Sec. 11. NEW SECTION. 260F.6A BUSINESS NETWORK TRAINING.

9 The community colleges and the department are authorized to
10 fund business network training projects which include five or
11 more businesses and are located in three or more contiguous
12 community college districts or two or more noncontiguous
13 community college districts. The community colleges shall use
14 their allocations provided for in this chapter to fund
15 projects under this section. A business network training
16 project must have a designated organization or lead business
17 to serve as the administrative entity that will coordinate the
18 training program. The businesses must have common training
19 needs and develop a plan to meet those needs. The department
20 shall adopt rules governing this section's operation and
21 participant eligibility.

22 Sec. 12. Section 260F.7, Code 1995, is amended to read as
23 follows:

24 260F.7 DEPARTMENT OF ECONOMIC DEVELOPMENT TO COORDINATE.

25 The department of economic development, in consultation
26 with the department of education and the division of job
27 service of the department of employment services, shall
28 coordinate the jobs training program. A project shall not be
29 funded under this chapter unless the department of economic
30 development approves the project. The department of economic
31 development shall adopt rules pursuant to chapter 17A ~~that the~~
32 ~~community-college-will-use-in-developing-projects-with-new-and~~
33 ~~expanding-small-business-new-jobs-training-proposals-or~~
34 ~~existing-business-retraining-proposals~~ governing the program's
35 operation and eligibility for participation in the program.

1 The department shall establish by rule criteria for
2 determining what constitutes an eligible business. A project
3 ~~shall not be funded under this chapter unless the department~~
4 ~~approves the project. The department shall establish by rule~~
5 ~~criteria for approval of projects. The department may adopt~~
6 ~~any rule effective immediately upon filing with the~~
7 ~~administrative rules coordinator or at a subsequent stated~~
8 ~~date prior to indexing and publication, or at a stated date~~
9 ~~less than thirty-five days after filing, indexing, and~~
10 ~~publication. The department of economic development shall~~
11 ~~prepare an annual report for the governor and general assembly~~
12 ~~on the activities and the future anticipated needs of this~~
13 ~~jobs training program.~~

14 Sec. 13. Section 260F.8, Code 1995, is amended to read as
15 follows:

16 260F.8 ALLOCATION.

17 1. For the each fiscal year beginning July 1, 1992, and
18 subsequent years, the department of economic development shall
19 make funds available to the community colleges. The
20 department shall allocate by formula at the beginning of the
21 fiscal year from the moneys in the fund an amount for each
22 merged-area community college to be used to provide the
23 financial assistance for proposals of businesses located in
24 the merged-area whose applications have been approved by the
25 department. The financial assistance shall be provided by the
26 department from the amount set aside for that merged-area
27 community college. If any portion of the moneys set aside for
28 a merged-area community college have not been used or
29 committed by ~~March~~ May 1 of the fiscal year, that portion is
30 available for use by the department to provide financial
31 assistance to businesses located in other merged-areas
32 community college districts. The department shall adopt by
33 rule a formula for this set-aside based on population and per
34 capita income of the merged-area.

35 2. Moneys available to the community colleges for this

1 program may be used to provide grants forgivable loans to
2 train for-new-jobs-or-retain-existing-jobs-when-the-project
3 costs-are-less-than-five-thousand-dollars employees. If-the
4 project-is-for-a-consortium-of-businesses,-project-costs-shall
5 not-exceed-an-average-of-five-thousand-dollars-per-business.

6 Sec. 14. Section 403.19, subsection 1, paragraph c, Code
7 1995, is amended to read as follows:

8 c. For the purposes of dividing taxes under sections
9 section 260E.4 and-260F.4, the applicable assessment roll for
10 purposes of paragraph "a" shall be the assessment roll as of
11 January 1 of the calendar year preceding the first written
12 agreement providing that all or a portion of program costs are
13 to be paid for by incremental property taxes. The community
14 college shall file a copy of the agreement with the
15 appropriate assessor. The assessor may, within fourteen days
16 of such filing, physically inspect the applicable taxable
17 business property. If upon such inspection the assessor
18 determines that there has been a change in the value of the
19 property from the value as shown on the assessment roll as of
20 January 1 of the calendar year preceding the filing of the
21 agreement and such change in value is due to new construction,
22 additions or improvements to existing structures, or
23 remodeling of existing structures for which a building permit
24 was required, the assessor shall promptly determine the value
25 of the property as of the inspection in the manner provided in
26 chapter 441 and that value shall be included for purposes of
27 the jobs training project in the assessed value of the
28 employer's taxable business property as shown on the
29 assessment roll as of January 1 of the calendar year preceding
30 the filing of the agreement. The assessor, within thirty days
31 of such filing, shall notify the community college and the
32 employer or business of that valuation which shall be included
33 in the assessed valuation for purposes of this subsection and
34 section 260E.4 ~~or-260F.4~~. The value determined by the
35 assessor shall reflect the change in value due solely to new

1 construction, additions or improvements to existing
2 structures, or remodeling of existing structures for which a
3 building permit was required.

4 Sec. 15. Section 422.16A, Code Supplement 1995, is amended
5 to read as follows:

6 422.16A JOB TRAINING WITHHOLDING -- CERTIFICATION AND
7 TRANSFER.

8 Upon payment in full of a certificate of participation or
9 other obligation issued to fund a job training program under
10 chapter 260E, the community college providing the job training
11 program shall notify the department of economic development of
12 the amount paid by the employer or business to the community
13 college to retire the certificate during the previous last
14 twelve months of withholding collections. The department of
15 economic development shall notify the department of revenue
16 and finance of that amount. The department shall credit to
17 the workforce development fund established in section 15.343
18 twenty-five percent of that amount each quarter for a period
19 of ten years. If the amount of withholding from the business
20 or employer is insufficient, the department shall prorate the
21 quarterly amount credited to the workforce development fund.
22 ~~The maximum amount from all employers which shall be~~
23 ~~transferred to the workforce development fund in any year is~~
24 ~~two million dollars.~~

25 Sec. 16. Section 427B.17, subsection 7, Code Supplement
26 1995, is amended to read as follows:

27 7. For the purpose of dividing taxes under section 260E.4
28 ~~or-260F-4~~, the employer's or business's valuation of property
29 defined in section 427A.1, subsection 1, paragraphs "e" and
30 "j", and used to fund a new jobs training project which
31 project's first written agreement providing for a division of
32 taxes as provided in section 403.19 is approved on or before
33 June 30, 1995, shall be limited to thirty percent of the net
34 acquisition cost of the property. An employer's or business's
35 taxable property used to fund a new jobs training project

1 shall not be valued pursuant to subsection 2 or 3, whichever
2 is applicable, until the assessment year following the
3 calendar year in which the certificates or other funding
4 obligations have been retired or escrowed. The taxpayer's
5 valuation for such property shall then be the valuation
6 specified in subsection 1 for the applicable assessment year.
7 If the certificates issued, or other funding obligations
8 incurred, between January 1, 1982, and June 30, 1995, are
9 refinanced or refunded after June 30, 1995, the valuation of
10 such property shall then be the valuation specified in
11 subsection 2 or 3, whichever is applicable, for the applicable
12 assessment year beginning with the assessment year following
13 the calendar year in which those certificates or other funding
14 obligations are refinanced or refunded after June 30, 1995.

15 Sec. 17. 1995 Iowa Acts, chapter 184, section 12, is
16 repealed.

17 Sec. 18. REPEALS. Sections 260F.4 and 260F.5, Code 1995,
18 are repealed.

19 EXPLANATION

20 This bill makes changes and additions to department of
21 economic development programs. The bill provides as follows:

22 Sections 15.343 and 422.16A are amended to remove the \$2
23 million per year cap on the amount which can be transferred
24 into the workforce development fund from employer withholding
25 amounts previously used to retire job training program
26 certificates under chapter 260E. The bill also repeals the
27 provisions enacted as part of House File 573 in 1995 which
28 sunset the workforce development fund program in 1997.

29 The bill creates an innovative skill development account to
30 the workforce development fund program. Moneys in the account
31 shall be used to fund business network training and other
32 innovative skill development training for Iowa businesses.

33 Section 15E.112 is amended to provide that not more than
34 four percent (currently one percent) of the total moneys
35 available to the support value-added agricultural products and

1 processes program during each quarter may be used for
2 administration of the program. The bill also provides that
3 one and one-quarter percent of the moneys available for the
4 value-added agricultural products and processes program during
5 each quarter may be used to fund a microbusiness rural
6 enterprise assistance program.

7 New section 15E.113 provides that the department may
8 contract with a microbusinesses organization which meets
9 certain criteria, including a track record of assistance to
10 microbusinesses, to establish a program of assistance to rural
11 microbusinesses. Microbusinesses are defined by the bill as
12 service businesses employing five or fewer full-time
13 equivalent employees with the need for up to \$25,000 in
14 assistance. The department is to report to the general
15 assembly regarding the activities of the program. Further,
16 moneys allocated to the program are not to revert to the
17 general fund.

18 The bill provides for a supplemental new jobs credit from
19 income tax withholding. The credit would be used to fund job
20 training projects of the type provided in chapter 260E
21 (industrial new jobs training).

22 The bill renames chapter 260F the Iowa jobs training Act
23 and makes several changes to the chapter including the
24 following:

25 1. Businesses which are eligible for assistance are those
26 which are currently training existing employees, rather than
27 employees in new jobs. The bill provides that a business is
28 ineligible for assistance if the business is involved in a
29 strike, lockout, or other labor dispute and that program funds
30 shall not be used to train replacement workers hired as part
31 of a labor dispute.

32 2. The bill eliminates the tax increment financing
33 provisions currently used to provide program funds under the
34 chapter. The new jobs credit from withholding is also
35 eliminated. This provision allowed 1.50 percent of the gross

1 wages paid to each employee in a new job training project to
2 be credited to the cost of the training project. The
3 department of economic development shall allocate funds for
4 projects under the chapter.

5 3. The bill also provides for training of groups of
6 businesses and for providing a maximum amount of assistance
7 for businesses participating in training under chapter 260F
8 would be \$25,000 per business with a cap of \$50,000 per three-
9 year period.

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HSB 694

ECONOMIC DEVELOPMENT

Succeeded By

SENATE/HOUSE FILE HF 241
BY (PROPOSED DEPARTMENT OF
ECONOMIC DEVELOPMENT BILL)

Brand
McLoys
Nelson, B
Bradley
Heaton

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to department of economic development programs,
2 including the workforce development fund program and the Iowa
3 small business new jobs training Act, establishing a rural
4 microbusiness assistance program, and increasing the funds
5 available for the value-added agricultural products and
6 processes program.

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

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1 products and processes financial assistance program, as
2 provided in section 15E.111. The assets of the fund shall be
3 used by the department only for carrying out the purposes of
4 section 15E.111.

5 Sec. 5. NEW SECTION. 15E.113 MICROBUSINESS RURAL
6 ENTERPRISE ASSISTANCE.

7 1. As used in this section:

8 a. "Department" means the department of economic
9 development.

10 b. "Microbusiness" or "microbusiness enterprise" means a
11 business producing services with five or fewer full-time
12 equivalent employee positions and with assistance requirements
13 of not more than twenty-five thousand dollars.

14 c. "Microbusiness organization" means a nonprofit
15 corporation organized under chapter 504A which is exempt from
16 taxation pursuant to section 501(c) of the Internal Revenue
17 Code and which has a principal mission of actively engaging in
18 microbusiness development, training, technical assistance, and
19 capital access for the start-up or expansion of
20 microbusinesses.

21 2. The department may allocate from the value-added
22 agricultural products and processes financial assistance fund
23 an amount equal to one and one-quarter percent of the total
24 moneys used to support value-added agricultural products and
25 processes as provided in section 423.24 during each quarter to
26 be used for the purpose of conducting a microbusiness rural
27 enterprise assistance program.

28 3. The department may contract with a microenterprise
29 organization actively engaged in microbusiness enterprise to
30 assist in the establishment of this program. In order to
31 qualify for the contract, the microenterprise organization
32 shall do all of the following:

33 a. Demonstrate a past performance of and a capacity to
34 successfully engage in microbusiness development.

35 b. Have a statewide commitment to and focus on

1 microbusiness development.

2 c. Provide training and technical assistance.

3 d. Demonstrate an ability to provide access to capital for
4 start-up or expansion of a microbusiness.

5 e. Have established linkages with financial institutions.

6 f. Demonstrate an ability to provide follow-up technical
7 assistance after a microbusiness start-up or expansion.

8 4. Moneys allocated pursuant to this section which remain
9 unexpended or unobligated at the end of a fiscal year shall
10 remain available to the department to support the assistance
11 program or may be credited to the value-added agricultural
12 products and processes financial assistance fund created in
13 section 15E.112 and shall not revert notwithstanding section
14 8.33.

15 5. The department shall submit a report in accordance with
16 section 7A.11 not later than November 1 of each year detailing
17 the activities of the microenterprise organization and
18 describing the success of the project.

19 Sec. 6. Section 260F.1, Code 1995, is amended to read as
20 follows:

21 260F.1 TITLE.

22 This chapter shall be known and may be cited as the "Iowa
23 ~~small-business-new~~ jobs training Act".

24 Sec. 7. Section 260F.2, Code 1995, is amended to read as
25 follows:

26 260F.2 DEFINITIONS.

27 When used in this chapter, unless the context otherwise
28 requires:

29 1. "Agreement" is the agreement between a business and a
30 community college concerning a project.

31 ~~2.--"Board-of-directors"--means-the-board-of-directors-of-a~~
32 ~~community-college.~~

33 ~~3.~~ 2. "Community college" means a community college
34 established under chapter 260C.

35 ~~4.~~ 3. "Date of commencement of the project" means the date

1 of the preliminary agreement or the date an application for
2 assistance is received by the department.

3 4. "Department" means the department of economic
4 development.

5 5. "Eligible business" or "business" means a business
6 training employees which is engaged in interstate or
7 intrastate commerce for the purpose of manufacturing,
8 processing, or assembling products, conducting research and
9 development, or providing services in interstate commerce, but
10 excludes retail, health, or professional services and which
11 meets the other criteria established by the Iowa department of
12 economic-development. "Eligible-business"-does-not-include-a
13 business-which-closes-or-substantially-reduces-its-operation
14 in-one-area-of-the-state-of-Iowa-and-relocates-substantially
15 the-same-operation-in-another-area-of-the-state-of-Iowa.--This
16 subsection-does-not-prohibit-a-business-from-expanding-its
17 operations-in-another-area-of-the-state-provided-that-existing
18 operations-of-a-similar-nature-are-not-closed-or-substantially
19 reduced.--"Small "Eligible business" does not include a
20 business whose training costs can be economically funded under
21 chapter 260E, a business which closes or reduces its
22 employment base by twenty-five percent or more in order to
23 relocate substantially the same operation to another area, or
24 a business which is involved in a strike, lockout, or other
25 labor dispute.

26 "Eligible-business"-includes-the-following:

27 a. Retraining-business-which-is-currently-conducting
28 retooling-of-a-production-facility.

29 b. Small-business-which-meets-other-criteria-established
30 by-the-department-of-economic-development-relating-to-business
31 size.

32 6. "Employee" means the-person-employed-in-a-new-job-by-a
33 small-business-or a person currently employed by a business
34 who is to be retrained trained. However, "employee" does not
35 include replacement workers who are hired as a result of a

1 strike, lockout, or other labor dispute.

2 ~~7. -- "incremental property taxes" means the taxes as~~
3 ~~provided in section 260F.4.~~

4 ~~8.~~ 7. "Jobs training program" or "program" means the
5 project or projects established by a community college for the
6 ~~creation of jobs by providing education and training of~~
7 ~~workers for new jobs for a new or expanding small business or~~
8 ~~for the retraining of workers of an existing business~~ training
9 of employees.

10 ~~9. -- "New job" means a job in a new or expanding small~~
11 ~~business but does not include jobs of recalled workers, or~~
12 ~~replacement jobs or other jobs that formerly existed in the~~
13 ~~small business in the state of Iowa.~~

14 ~~10. -- "New jobs credit from withholding" means the credit as~~
15 ~~provided in section 260F.5.~~

16 ~~11.~~ 8. "Participating business" means ~~the small business~~
17 ~~providing new jobs or retraining jobs and~~ a business training
18 employees which enters into an agreement with the community
19 college.

20 ~~12.~~ 9. "Program costs" means all necessary and incidental
21 costs of providing program services.

22 ~~13.~~ 10. "Program services" includes but is not limited to
23 the following:

24 ~~a. -- New jobs training.~~

25 ~~b.~~ a. Retraining Training of existing workers employees.

26 ~~c.~~ b. Adult basic education and job-related instruction.

27 ~~d.~~ c. Vocational and skill-assessment services and
28 testing.

29 ~~e.~~ d. Training facilities, equipment, materials, and
30 supplies.

31 ~~f. -- On-the-job training.~~

32 ~~g.~~ e. Administrative expenses for the jobs training
33 program.

34 ~~h.~~ f. Subcontracted services with institutions governed by
35 the state board of regents, private colleges or universities,

1 or other federal, state, or local agencies.

2 i. g. Contracted or professional services.

3 ~~14.~~ 11. "Project" means a training arrangement which is
4 the subject of an agreement entered into between the community
5 college and a business to provide program services.

6 ~~15.---"Retooling"--means-upgrading, modernizing, or expanding~~
7 ~~a-business-to-increase-the-production-or-efficiency-of~~
8 ~~business-operations-including, but not limited to, replacing~~
9 ~~equipment, introducing new manufacturing processes, or~~
10 ~~changing managerial procedures.~~

11 ~~16.---"Retraining-job"--means-a-job-with-an-existing-business~~
12 ~~that-is-substantially-at-risk-of-becoming-displaced-within-the~~
13 ~~following-ten-years-due-to-the-retooling-of-the-business.~~

14 Sec. 8. Section 260F.3, Code 1995, is amended by striking
15 the section and inserting in lieu thereof the following:

16 260F.3 AGREEMENT.

17 A community college may enter into an agreement to
18 establish a project. An agreement shall provide for, but is
19 not limited to, the following:

- 20 1. Date of agreement.
- 21 2. Anticipated number of employees to be trained.
- 22 3. Estimated cost of training.
- 23 4. Anticipated dates of commencement and termination of
24 training.

25 5. Other criteria established by the department.

26 Sec. 9. Section 260F.6, subsection 2, Code Supplement
27 1995, is amended to read as follows:

- 28 2. To provide funds for the present payment of the costs
29 of a training program by the business, the community college
30 may provide to the business an advance of the moneys to be
31 used to pay for the program costs as provided in the
32 agreement. To receive the funds for this advance from the job
33 training fund established in subsection 1, the community
34 college shall submit an application to the department of
35 economic development. The amount of the advance shall not

1 exceed fifty twenty-five thousand dollars for any project
2 business site, or fifty thousand dollars within a three-
3 fiscal-year period for any business site. The advance, if the
4 agreement provides it as a loan, shall be repaid with interest
5 from the sources provided in the agreement. The rate of
6 interest to be charged for advances made in a calendar month
7 is equal to one-half of the average rate of interest on tax
8 exempt certificates issued by community colleges pursuant to
9 chapter 260E for the previous twelve months. The rate shall
10 be computed by the department of economic development. If the
11 project involves a consortium of businesses, the maximum award
12 per project shall not exceed fifty thousand dollars.
13 Participation in a consortium does not affect a business
14 site's eligibility for individual project assistance. Prior
15 to approval a business shall agree to match program amounts in
16 accordance with criteria established by the department.

17 Sec. 10. NEW SECTION. 260F.6A BUSINESS NETWORK TRAINING.
18 The community colleges and the department are authorized to
19 fund business network training projects which include five or
20 more businesses and are located in three or more contiguous
21 community college districts or two or more noncontiguous
22 community college districts. The community colleges shall use
23 their allocations provided for in this chapter to fund
24 projects under this section. A business network training
25 project must have a designated organization or lead business
26 to serve as the administrative entity that will coordinate the
27 training program. The businesses must have common training
28 needs and develop a plan to meet those needs. The department
29 shall adopt rules governing this section's operation and
30 participant eligibility.

31 Sec. 11. Section 260F.7, Code 1995, is amended to read as
32 follows:

33 260F.7 DEPARTMENT OF ECONOMIC DEVELOPMENT TO COORDINATE.
34 The department of economic development, in consultation
35 with the department of education and the division of job

1 service of the department of employment services, shall
2 coordinate the jobs training program. A project shall not be
3 funded under this chapter unless the department of economic
4 development approves the project. The department of economic
5 development shall adopt rules pursuant to chapter 17A that the
6 community college will use in developing projects with new and
7 expanding small business new jobs training proposals or
8 existing business retraining proposals governing the program's
9 operation and eligibility for participation in the program.

10 The department shall establish by rule criteria for
11 determining what constitutes an eligible business. A project
12 shall not be funded under this chapter unless the department
13 approves the project. -- The department shall establish by rule
14 criteria for approval of projects. -- The department may adopt
15 any rule effective immediately upon filing with the
16 administrative rules coordinator or at a subsequent stated
17 date prior to indexing and publication, or at a stated date
18 less than thirty-five days after filing, indexing, and
19 publication. -- The department of economic development shall
20 prepare an annual report for the governor and general assembly
21 on the activities and the future anticipated needs of this
22 jobs training program.

23 Sec. 12. Section 260F.8, Code 1995, is amended to read as
24 follows:

25 260F.8 ALLOCATION.

26 1. For the each fiscal year beginning July 1, 1992, and
27 subsequent years, the department of economic development shall
28 make funds available to the community colleges. The
29 department shall allocate by formula at the beginning of the
30 fiscal year from the moneys in the fund an amount for each
31 merged-area community college to be used to provide the
32 financial assistance for proposals of businesses located in
33 the merged-area whose applications have been approved by the
34 department. The financial assistance shall be provided by the
35 department from the amount set aside for that merged-area

1 community college. If any portion of the moneys set aside for
2 a merged-area community college have not been used or
3 committed by ~~March~~ May 1 of the fiscal year, that portion is
4 available for use by the department to provide financial
5 assistance to businesses located in other merged-areas
6 community colleges. The department shall adopt by rule a
7 formula for this set-aside ~~based-on-population-and-per-capita~~
8 ~~income-of-the-merged-area~~.

9 2. Moneys available to the community colleges for this
10 program may be used to provide grants forgivable loans to
11 ~~train for new jobs or retain existing jobs when the project~~
12 ~~costs are less than five thousand dollars~~ employees. ~~If the~~
13 ~~project is for a consortium of businesses, project costs shall~~
14 ~~not exceed an average of five thousand dollars per business.~~

15 Sec. 13. Section 403.19, subsection 1, paragraph c, Code
16 1995, is amended to read as follows:

17 c. For the purposes of dividing taxes under sections
18 section 260E.4 and 260F.4, the applicable assessment roll for
19 purposes of paragraph "a" shall be the assessment roll as of
20 January 1 of the calendar year preceding the first written
21 agreement providing that all or a portion of program costs are
22 to be paid for by incremental property taxes. The community
23 college shall file a copy of the agreement with the
24 appropriate assessor. The assessor may, within fourteen days
25 of such filing, physically inspect the applicable taxable
26 business property. If upon such inspection the assessor
27 determines that there has been a change in the value of the
28 property from the value as shown on the assessment roll as of
29 January 1 of the calendar year preceding the filing of the
30 agreement and such change in value is due to new construction,
31 additions or improvements to existing structures, or
32 remodeling of existing structures for which a building permit
33 was required, the assessor shall promptly determine the value
34 of the property as of the inspection in the manner provided in
35 chapter 441 and that value shall be included for purposes of

1 the jobs training project in the assessed value of the
2 employer's taxable business property as shown on the
3 assessment roll as of January 1 of the calendar year preceding
4 the filing of the agreement. The assessor, within thirty days
5 of such filing, shall notify the community college and the
6 employer or business of that valuation which shall be included
7 in the assessed valuation for purposes of this subsection and
8 section 260E.4 or 260F.4. The value determined by the
9 assessor shall reflect the change in value due solely to new
10 construction, additions or improvements to existing
11 structures, or remodeling of existing structures for which a
12 building permit was required.

13 Sec. 14. Section 422.16A, Code Supplement 1995, is amended
14 to read as follows:

15 422.16A JOB TRAINING WITHHOLDING -- CERTIFICATION AND
16 TRANSFER.

17 Upon payment in full of a certificate of participation or
18 other obligation issued to fund a job training program under
19 chapter 260E, the community college providing the job training
20 program shall notify the department of economic development of
21 the amount paid by the employer or business to the community
22 college to retire the certificate during the previous last
23 twelve months of withholding collections. The department of
24 economic development shall notify the department of revenue
25 and finance of that amount. The department shall credit to
26 the workforce development fund established in section 15.343
27 twenty-five percent of that amount each quarter for a period
28 of ten years. If the amount of withholding from the business
29 or employer is insufficient, the department shall prorate the
30 quarterly amount credited to the workforce development fund.
31 ~~The maximum amount from all employers which shall be~~
32 ~~transferred to the workforce development fund in any year is~~
33 ~~two million dollars.~~

34 Sec. 15. Section 427B.17, subsection 7, Code Supplement
35 1995, is amended to read as follows:

1 7. For the purpose of dividing taxes under section 260E.4
2 or-260F.4, the employer's or business's valuation of property
3 defined in section 427A.1, subsection 1, paragraphs "e" and
4 "j", and used to fund a new jobs training project which
5 project's first written agreement providing for a division of
6 taxes as provided in section 403.19 is approved on or before
7 June 30, 1995, shall be limited to thirty percent of the net
8 acquisition cost of the property. An employer's or business's
9 taxable property used to fund a new jobs training project
10 shall not be valued pursuant to subsection 2 or 3, whichever
11 is applicable, until the assessment year following the
12 calendar year in which the certificates or other funding
13 obligations have been retired or escrowed. The taxpayer's
14 valuation for such property shall then be the valuation
15 specified in subsection 1 for the applicable assessment year.
16 If the certificates issued, or other funding obligations
17 incurred, between January 1, 1982, and June 30, 1995, are
18 refinanced or refunded after June 30, 1995, the valuation of
19 such property shall then be the valuation specified in
20 subsection 2 or 3, whichever is applicable, for the applicable
21 assessment year beginning with the assessment year following
22 the calendar year in which those certificates or other funding
23 obligations are refinanced or refunded after June 30, 1995.

24 Sec. 16. 1995 Iowa Acts, chapter 184, section 12, is
25 repealed.

26 Sec. 17. REPEALS. Sections 260F.4 and 260F.5, Code 1995,
27 are repealed.

28 EXPLANATION

29 This bill makes changes and additions to department of
30 economic development programs. The bill provides as follows:

31 Sections 15.343 and 422.16A are amended to remove the \$2
32 million per year cap on the amount which can be transferred
33 into the workforce development fund from employer withholding
34 amounts previously used to retire job training program
35 certificates under chapter 260E. The bill also repeals the

1 provisions enacted as part of House File 573 in 1995 which
2 sunset the workforce development fund program in 1997.

3 The bill creates an innovative skill development account to
4 the workforce development fund program. Moneys in the account
5 shall be used to fund business network training and other
6 innovative skill development training for Iowa businesses.

7 Section 15E.112 is amended to provide that not more than
8 four percent (currently one percent) of the total moneys
9 available to the support value-added agricultural products and
10 processes program during each quarter may be used for
11 administration of the program. The bill also provides that
12 one and one-quarter percent of the moneys available for the
13 value-added agricultural products and processes program during
14 each quarter may be used to fund a microbusiness rural
15 enterprise assistance program.

16 New section 15E.113 provides that the department may
17 contract with a microbusinesses organization which meets
18 certain criteria, including a track record of assistance to
19 microbusinesses, to establish a program of assistance to rural
20 microbusinesses. Microbusinesses are defined by the bill as
21 service businesses employing five or fewer full-time
22 equivalent employees with the need for up to \$25,000 in
23 assistance. The department is to report to the general
24 assembly regarding the activities of the program. Further,
25 moneys allocated to the program are not to revert to the
26 general fund.

27 The bill renames chapter 260F the Iowa jobs training Act
28 and makes several changes to the chapter including the
29 following:

30 1. Businesses which are eligible for assistance are those
31 which are currently training existing employees, rather than
32 employees in new jobs. The bill provides that a business is
33 ineligible for assistance if the business is involved in a
34 strike, lockout, or other labor dispute and that program funds
35 shall not be used to train replacement workers hired as part

1 of a labor dispute.

2 2. The bill eliminates the tax increment financing
3 provisions currently used to provide program funds under the
4 chapter. The new jobs credit from withholding is also
5 eliminated. This provision allowed 1.50 percent of the gross
6 wages paid to each employee in a new job training project to
7 be credited to the cost of the training project. The
8 department of economic development shall allocate funds for
9 projects under the chapter.

10 3. The bill also provides for training of groups of
11 businesses and for providing a maximum amount of assistance
12 for businesses participating in training under chapter 260F
13 would be \$25,000 per business with a cap of \$50,000 per three-
14 year period.

15 BACKGROUND STATEMENT

16 SUBMITTED BY THE AGENCY

17 One of the highest priorities of the Iowa department of
18 economic development (IDED) is to remove the restrictive
19 funding cap and lift the sunset provision from the original
20 enabling language for the workforce development fund. Prior
21 to the passage of this legislation, workforce development
22 activities in Iowa were fragmented and did not reflect a
23 coherent state policy. Since the establishment of this fund,
24 IDED has been successful in integrating the myriad of
25 workforce development, job training, retraining, education
26 programs, and funding streams which exist throughout state
27 government. IDED would like to continue building the
28 workforce development fund well beyond 1997 so that there is
29 funding available to take the employee training model to the
30 next level and past the employee training and retraining
31 programs now in place.

32 With the implementation of severe federal funding cuts
33 looming for workforce development programs in Iowa, the impact
34 of lifting the state funding cap for such initiatives will be
35 immediate and significant. It will allow planned job training

1 and retraining activities to progress uninterrupted and with
2 greater certainty, continuing to provide the educational
3 opportunities and competitive advantages needed for Iowans to
4 succeed in today's difficult job market.

5 During 1995, Iowa's business training programs were
6 reviewed by both the community college economic developers and
7 an appointed job training task force. These two groups
8 determined that private dollars could be more effectively
9 leveraged and state funding sources more efficiently utilized
10 if chapter 260F were to be modified to eliminate the
11 withholding and property tax increment financing districts for
12 small business new jobs training programs. They recommended
13 that chapter 260F dollars be authorized for use to conduct
14 consortia training for supplier networks and other industry
15 groups, while at the same time doing away with the distinction
16 between retraining and new jobs training. Businesses
17 participating in such supplier network training programs would
18 have a match requirement, with the maximum award to an
19 individual business reduced from \$50,000 to \$25,000 per year
20 and a cap of \$50,000 within a three-year period established.

21 A microbusiness rural enterprise demonstration project was
22 funded by the Iowa general assembly in 1994. The results of
23 that effort show substantial success. Training and technical
24 assistance were provided to over 40 individuals, 10 of whom
25 have subsequently started their own small business
26 enterprises. This proposed legislation for a microbusiness
27 rural enterprise assistance program will allow the success to
28 continue and provide training and technical assistance to
29 those areas of the state not reached by the original
30 demonstration project.

31 Diminishing funding sources and increased programming costs
32 necessitate the request to increase the amount of
33 administration costs which may be covered out of value-added
34 agricultural products and processes financial assistance
35 program funds. The additional funds will provide for adequate

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1 administration to continue the success of the program.

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