

2/23/98 Referred To: Ways & Means

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ECONOMIC DEVELOPMENT

HOUSE FILE 2303

BY MILLAGE

Passed House, Date _____ Passed Senate, Date _____

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

Approved _____

A BILL FOR

1 An Act relating to the creation of a new program to provide
2 technicians for businesses in certain targeted industries by
3 offering to pay student loans incurred by the technicians to
4 attend private and public Iowa colleges and universities and
5 to provide withholding tax credit to help fund these payments
6 and providing an effective date.

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

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HF 2303

1 Section 1. NEW SECTION. 15.361 TITLE.

2 This part shall be known and may be cited as the
3 "Recruiting Our Own Targeted Students (ROOTS) Program".

4 Sec. 2. NEW SECTION. 15.362 DEFINITIONS.

5 As used in this part, unless the context otherwise
6 requires:

7 1. "Agreement" means the agreement entered into under
8 section 15.363, subsection 2, paragraph "e".

9 2. "Department" means the department of economic
10 development.

11 3. "Eligible postsecondary institution" means the same as
12 defined in section 261C.3.

13 4. "ROOTS program" or "program" means the recruiting our
14 own targeted students program established by the department as
15 provided in section 15.363.

16 5. "Student loan" means a loan, including any federal or
17 state loan, made to a student for which the student is under a
18 legal obligation to repay and which was used to pay tuition,
19 mandatory fees, and room and board at an eligible
20 postsecondary institution.

21 6. "Targeted industry" means those industries designated
22 as provided in section 15.364.

23 7. "Technical position" means a position that requires
24 very highly specialized knowledge, usually scientific or
25 mathematical, with training specifically tailored for the
26 applicable targeted industry. "Technical position" includes
27 but is not limited to computer programmer, engineer, genetic
28 scientist, and chemical research and development specialist.

29 8. "Tuition" includes any charges and mandatory fees and
30 the cost of textbooks used by a student.

31 Sec. 3. NEW SECTION. 15.363 ROOTS PROGRAM -- LOAN
32 REPAYMENTS.

33 1. A recruiting our own targeted students program shall be
34 established by the department to provide a tool for Iowa
35 businesses to recruit recent college graduates for positions

1 in a targeted industry. The program shall allow for payment
 2 of student loans for individuals who have received all of
 3 their education from eligible postsecondary institutions and
 4 who work in Iowa in a targeted industry for a designated time
 5 which is for at least three years but for not more than ten
 6 years after graduation. Student loans shall be paid off at a
 7 percentage rate designated by the college student aid
 8 commission which rates shall be contained within the following
 9 ranges:

10 Length of time	Percentage rate and maximum
11 <u>with targeted industry</u>	<u>amount of student loan payment</u>
12 3 years but less than 5 years	20% to 30% up to \$2,500
13 5 years but less than 7 years	40% to 60% up to \$5,000
14 7 years but less than 10 years	70% to 80% up to \$7,500
15 10 years or more	100% up to \$10,000

16 2. An individual is eligible for student loan payments at
 17 the percentage rates set pursuant to subsection 1 if all of
 18 the following have been met:

19 a. The individual was hired in a technical position by a
 20 business or division of a business in a calendar year for
 21 which the industry in which the business or division of a
 22 business does business was designated a target industry.

23 b. The individual attended an eligible postsecondary
 24 institution from which a certificate, diploma, or degree was
 25 obtained which met the qualifications for the technical
 26 position.

27 c. One or more student loans were acquired by the
 28 individual for attendance at the eligible postsecondary
 29 institution from which the certificate, diploma, or degree was
 30 obtained.

31 d. The business or division of a business, as applicable,
 32 is located in Iowa or most of its business is done in Iowa and
 33 the individual will do at least ninety percent of the
 34 individual's work in Iowa.

35 e. An agreement between the individual, business or the

1 division of a business, as appropriate, and the college
2 student aid commission has been entered into. The agreement
3 shall contain at least all of the following:

4 (1) The amount of student loans that qualify for payment
5 under the program.

6 (2) The percentage rate schedule that will be used to
7 determine the student loan payments under the program as
8 established pursuant to subsection 1.

9 (3) That student loan payments under the program shall be
10 made according to the percentage rate schedule under
11 subparagraph (2) even if all or a portion of the student loans
12 has been repaid by the individual.

13 (4) That the new jobs credit from withholding
14 authorization under section 15.366 shall be used to fund the
15 student loan payments under the program.

16 3. For purposes of this section the following applies:

17 a. Student loans made to individuals for school years
18 beginning on or after July 1, 1994, are eligible for payment
19 under this section.

20 b. If an individual is hired as required under subsection
21 2, paragraph "a", the individual shall not lose eligibility
22 for student loan payments under the program solely because the
23 industry in which the business or the division of a business
24 does business is no longer designated as a targeted industry.

25 c. An individual is ineligible for payments under the
26 program if the individual leaves a technical position similar
27 to the technical position for which the individual is hired by
28 a business or division of a business doing business in a
29 targeted industry.

30 Sec. 4. NEW SECTION. 15.364 TARGETED INDUSTRIES.

31 1. The targeted industries as of the effective date of
32 this Act are those engaged in the business or manufacture of
33 any of the following:

34 a. Value-added agricultural products.

35 b. Insurance and financial services.

- 1 c. Plastics.
- 2 d. Metals.
- 3 e. Printing paper or packaging products.
- 4 f. Drugs and pharmaceuticals.
- 5 g. Software development.
- 6 h. Instruments and measuring devices and medical
- 7 instruments.
- 8 i. Recycling.
- 9 j. Engineering, as designated by the department.

10 The industries listed in this subsection shall remain
11 targeted industries until at least the end of the calendar
12 year beginning January 1, 2003.

13 2. The department, after consultation with the department
14 of workforce development, may designate industries in addition
15 to those specified in subsection 1 as targeted industries and
16 may continue designating any industries in subsection 1 as
17 targeted industries beyond the calendar year beginning January
18 1, 2003. An industry designated as a targeted industry shall
19 be so designated only for the calendar year in which
20 designated unless redesignated for subsequent years.

21 Sec. 5. NEW SECTION. 15.365 STUDENT LOAN PAYMENT FUND.

22 A student loan payment fund is created, under the control
23 of the college student aid commission, as a separate fund in
24 the office of the treasurer of state. Moneys deposited into
25 the fund shall be received from the new jobs credit from
26 withholding moneys as provided in section 15.366 and from any
27 moneys appropriated to the fund by the general assembly.
28 Notwithstanding section 12C.7, subsection 2, interest or
29 earnings on moneys in the fund shall be credited to the fund.
30 Section 8.33 does not apply to moneys deposited into or
31 appropriated to the fund.

32 Moneys in the student loan payment fund shall be used
33 solely for the payment of student loans under the ROOTS
34 program as provided in section 15.363.

35 Sec. 6. NEW SECTION. 15.366 NEW JOBS CREDIT FROM

1 WITHHOLDING.

2 If an agreement provides that all or part of student loan
3 payments are to be met by receipt of new jobs credit from
4 withholding, the following shall apply:

5 1. New jobs credit from withholding shall be based upon
6 the wages paid to employees with a certificate, diploma, or
7 degree from an eligible postsecondary institution hired in the
8 new jobs.

9 2. An amount equal to one and one-half percent of the
10 gross wages paid by the employer to each hired employee with a
11 certificate, diploma, or degree from an eligible postsecondary
12 institution shall be credited from the payment made by an
13 employer pursuant to section 422.16. If the amount of the
14 withholding by the employer is less than one and one-half
15 percent of the gross wages paid to the employees covered by
16 the agreement, the employer shall receive a credit against
17 other withholding taxes due by the employer. The employer
18 shall remit the amount of the credit quarterly, in the same
19 manner as withholding payments are reported to the department
20 of revenue and finance, to the college student aid commission
21 to be allocated to and when collected paid into the student
22 loan payment fund to make student loan payments under the
23 agreement until the total amount of payments specified in the
24 agreement are made.

25 3. The employer shall certify to the department of revenue
26 and finance that the credit from withholding is in accordance
27 with an agreement and shall provide other information the
28 department may require.

29 4. The college student aid commission shall certify to the
30 department of revenue and finance the amount of new jobs
31 credit from withholding an employer has remitted to the
32 student loan payment fund and shall provide other information
33 the department may require.

34 5. An employee covered by an agreement or an employee for
35 which the employer received a credit against withholding taxes

1 due from that employee shall receive full credit for the
2 amount withheld as provided in section 422.16.

3 Sec. 7. This Act, being deemed of immediate importance,
4 takes effect upon enactment.

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EXPLANATION

6 The bill creates a "recruiting our own targeted students"
7 program for the purpose of keeping graduates of Iowa
8 postsecondary colleges and universities in the state by
9 offering to pay student loans incurred by graduates who attend
10 colleges and universities in the state if they are hired by a
11 business or division of a business that does business in an
12 industry that has been designated as a targeted industry by
13 the department of economic development. Certain businesses
14 have been designated in the bill as targeted industries while
15 others may be so designated subsequently by the department.
16 Some of those designated in the bill include value-added
17 agricultural products, plastics, drugs, software development,
18 recycling, and engineering.

19 In addition to the business or division of a business doing
20 business in a targeted industry, the business or division must
21 be located in the state or do most of its business in the
22 state and the individual must do 90 percent of the
23 individual's work in the state. The individual must work at
24 least three years with the business or division before being
25 eligible for loan payments.

26 Funding for the payments will be from 1.5 percent of the
27 amount of state income tax withholding from wages of the
28 individual. The individual will get credit on the state
29 income tax for the total amount withheld from the wages. The
30 credit would cease once all the student loans that are
31 eligible are paid, which would be done in no longer than 10
32 years under the bill.

33 The bill takes effect upon enactment.

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