

S-3/24/97 Small sinus
S-4/2/97 Do Pass
S-4/10/97 Unfinished Business Calendar

FEB 26 1997
Place On Calendar

HOUSE FILE **367**
BY COMMITTEE ON ECONOMIC
DEVELOPMENT

(SUCCESSOR TO HSB 49)

Passed House, ^(P. 735) Date 3-24-94 Passed Senate, ^(P. 1287) Date 4-21-97
Vote: Ayes 97 Nays 0 Vote: Ayes 49 Nays 0
Approved May 1, 1997

A BILL FOR

1 An Act relating to the transfer of job training withholding
2 payments to the workforce development fund account, making an
3 appropriation, and providing effective and retroactive
4 applicability date provisions.

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

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HF 367

1 Section 1. Section 422.16A, Code 1997, is amended to read
2 as follows:

3 422.16A JOB TRAINING WITHHOLDING -- CERTIFICATION AND
4 TRANSFER.

5 ~~Upon payment in full of a certificate of participation or~~
6 ~~other obligation issued to fund a job training program under~~
7 ~~chapter 260E, including a certificate of participation repaid~~
8 ~~in whole or in part by the supplemental new jobs credit from~~
9 ~~withholding under section 15A.7, the community college~~
10 ~~providing the job training program shall notify the department~~
11 ~~of economic development of the amount paid by the employer or~~
12 ~~business to the community college to retire the certificate~~
13 ~~during the last twelve months of withholding collections.~~
14 Upon the completion by a business of its repayment obligation
15 for a training project funded under chapter 260E, including a
16 job training project funded under chapter 260E repaid in whole
17 or in part by the supplemental new jobs credit from
18 withholding under section 15A.7, the sponsoring community
19 college shall report to the department of economic development
20 the amount of withholding paid by the business to the
21 community college during the final twelve months of
22 withholding payments. The department of economic development
23 shall notify the department of revenue and finance of that
24 amount. The department shall credit to the workforce
25 development fund account established in section 15.342A
26 twenty-five percent of that amount each quarter for a period
27 of ten years. If the amount of withholding from the business
28 or employer is insufficient, the department shall prorate the
29 quarterly amount credited to the workforce development fund
30 account. The maximum amount from all employers which shall be
31 transferred to the workforce development fund account in any
32 year is ten million dollars.

33 Sec. 2. All businesses that were part of a multiple issue
34 certificate under chapter 260E and that have met their
35 repayment obligation for a training project under that

1 certificate between July 1, 1996, and the effective date of
2 this Act, shall be identified by the appropriate sponsoring
3 community college. The appropriate sponsoring community
4 college shall report to the department of economic development
5 the amount of diversion that would have been made to the
6 workforce development fund account for each applicable
7 business had this Act been effective beginning July 1, 1996.
8 The appropriate sponsoring community college shall also
9 specify the date that this diversion would have been
10 effective. The department of economic development shall
11 notify the department of revenue and finance of the total
12 amount reported by all sponsoring community colleges. There
13 is appropriated and the department of revenue and finance
14 shall make a one-time credit from the general fund to the
15 workforce development fund account for that amount.

16 Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act,
17 being deemed of immediate importance, takes effect upon
18 enactment and applies retroactively to July 1, 1996, to
19 include any final twelve months of withholding payments
20 beginning on or after that date.

21 EXPLANATION

22 Under the industrial new jobs training program in Code
23 chapter 260E, a community college and a business may enter
24 into an agreement to establish a training arrangement. The
25 agreement may provide for program costs to be paid, in whole
26 or in part, by new jobs credit from withholding which shall be
27 based upon the wages paid to the employees in the new jobs. A
28 new job is a job in a new or expanding industry but does not
29 include jobs of recalled workers, or replacement jobs or other
30 jobs that formerly existed in the industry in the state.

31 This bill provides that when an individual business
32 completes its repayment obligation for a project funded under
33 chapter 260E, the community college shall report to the
34 department of economic development the amount of withholding
35 paid by the business to the community college during the final

1 12 months of withholding payment.

2 The bill would take effect upon enactment and would apply
3 retroactively to July 1, 1996. The bill provides for a one-
4 time appropriation to provide a credit from the general fund
5 to the workforce development fund account for the amount of
6 diversion that would have been made to the account had this
7 Act been effective beginning July 1, 1996.

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**HOUSE FILE 367
FISCAL NOTE**

A fiscal note for **House File 367** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 367 alters the method used to determine when withholding tax receipts begin to be deposited into the Department of Economic Development (DED) Workforce Development Fund. The Bill provides a standing unlimited appropriation to the Workforce Development Fund to replace certain withholding tax receipts not deposited to that Fund during FY 1997.

BACKGROUND

The withholding tax at issue is the amount of employee State withholding tax used to repay job training certificates under the Industrial New Jobs Training Program (Chapter 260E, Code of Iowa). The 1996 General Assembly diverted the withholding tax from the General Fund to the Workforce Development Fund after a training certificate has been repaid. The change has been interpreted to require the entire certificate to be retired before the withholding tax is deposited to the Workforce Development Fund. Under the interpretation, companies that pay off their portion of a certificate earlier than other participating companies have their withholding tax deposited to the General Fund. When the entire certificate is retired, withholding tax from all companies participating in the certificate is then diverted to the Workforce Development Fund.

FISCAL IMPACT

Based on the last 12 months of 260E Program repayments from multiple employer certificates, the DED estimates the standing unlimited appropriation from the General Fund to the Workforce Development Fund would equal \$1.2 million in FY 1997. The change would also decrease FY 1998 General Fund revenues by \$1.8 million and increase Workforce Development Fund revenues by the same amount.

Because total annual withholding tax deposits to the Workforce Development Fund are capped at \$10.0 million, the proposed change would cause the Fund to reach the cap more quickly, with the result being additional General Fund receipts in later fiscal years.

SOURCE

Department of Economic Development

(LSB 1326hv, JWR)

FILED MARCH 17, 1997

BY DENNIS PROUTY, FISCAL DIRECTOR

Drake, Ch
Rayton S
May

HSB 49
ECONOMIC DEVELOPMENT

Succeeded By
SF (HF) 367

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

Passed Senate, Date _____ Passed House, Date _____

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

Approved _____

A BILL FOR

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2 payments to the workforce development fund account and
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34 being deemed of immediate importance, takes effect upon
35 enactment and applies retroactively to July 1, 1996, to

1 include any final twelve months of withholding payments
2 beginning on or after that date.

3 EXPLANATION

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5 chapter 260E, a community college and a business may enter
6 into an agreement to establish a training arrangement. The
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8 or in part, by new jobs credit from withholding which shall be
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13 This bill provides that when an individual business
14 completes its repayment obligation for a project funded under
15 chapter 260E, the community college shall report to the
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MEMORANDUM ON PROPOSED LEGISLATION
LSB # 1326DP

TO: Members of the Iowa General Assembly
FROM: Iowa Department of Economic Development
DATE: January 8, 1997
RE: Workforce Development Fund

Workforce Development Fund

In 1996 the Iowa General Assembly passed Senate File 2351, legislation pertaining to the Industrial New Jobs Training Program (IC chap. 260E). This bill enabled the transfer of a percentage of employee salary tax withholding receipts to the Workforce Development Fund (WDF), which is the main revenue source for many job training programs administered by the Iowa Department of Economic Development (IDED), e.g., Business Network Training, Targeted Industries Training, Innovative Skills Development, Iowa Jobs Training Program (260F). Legal counsel has rendered an interpretation of this law which runs contrary to what is believed to be the original intent behind its enactment. This interpretation warns that the employee tax withholding money generated by an individual business which has satisfied its obligations as part of a multiple business 260E job training program certificate cannot be transferred to the WDF until sufficient funds exist to call the entire certificate, i.e., until **all** businesses, not just a single participating business, involved with the job training program have satisfied their contractual obligations under the certificate. Should the immediate transfer of money into the WDF (the original intent of the law) be inhibited in such a manner, the amount of funds available for job training programming will be significantly below original projections for Fiscal Year 1997.

Therefore, in an attempt to comply with what IDED believes to be the original intent of Senate File 2351, the department proposes clarifying the current language in the Code to insure that when an individual business repays the amount it owes to retire a certificate of participation under a 260E training program, the income withholding associated with that business may be allocated immediately to the WDF account.

Comments or questions regarding this issue? Contact IDED's Legislative Liaison, Elliott Smith (ph: 242-4777).

HOUSE FILE 367

AN ACT

RELATING TO THE TRANSFER OF JOB TRAINING WITHHOLDING
PAYMENTS TO THE WORKFORCE DEVELOPMENT FUND ACCOUNT,
MAKING AN APPROPRIATION, AND PROVIDING EFFECTIVE AND
RETROACTIVE APPLICABILITY DATE PROVISIONS.

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

Section 1. Section 422.16A, Code 1997, is amended to read
as follows:

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providing the job training program shall notify the department
of economic development of the amount paid by the employer or
business to the community college to retire the certificate
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college shall report to the department of economic development
the amount of withholding paid by the business to the
community college during the final twelve months of
withholding payments. The department of economic development
shall notify the department of revenue and finance of that
amount. The department shall credit to the workforce
development fund account established in section 15.342A
twenty-five percent of that amount each quarter for a period
of ten years. If the amount of withholding from the business
or employer is insufficient, the department shall prorate the
quarterly amount credited to the workforce development fund
account. The maximum amount from all employers which shall be
transferred to the workforce development fund account in any
year is ten million dollars.

Sec. 2. All businesses that were part of a multiple issue
certificate under chapter 260E and that have met their
repayment obligation for a training project under that
certificate between July 1, 1996, and the effective date of
this Act, shall be identified by the appropriate sponsoring
community college. The appropriate sponsoring community
college shall report to the department of economic development
the amount of diversion that would have been made to the
workforce development fund account for each applicable
business had this Act been effective beginning July 1, 1996.
The appropriate sponsoring community college shall also
specify the date that this diversion would have been
effective. The department of economic development shall
notify the department of revenue and finance of the total
amount reported by all sponsoring community colleges. There
is appropriated and the department of revenue and finance
shall make a one-time credit from the general fund to the
workforce development fund account for that amount.

Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act,
being deemed of immediate importance, takes effect upon
enactment and applies retroactively to July 1, 1996, to

House File 367, p. 3

include any final twelve months of withholding payments
beginning on or after that date.

RON J. CORBETT
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and
is known as House File 367, Seventy-seventh General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved May 1, 1997

TERRY E. BRANSTAD
Governor