

3/15/99 W. & Means

FILED MAR 11 1999

SENATE FILE 411
BY COMMITTEE ON BUSINESS AND
LABOR RELATIONS

(SUCCESSOR TO SF 135)

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

A BILL FOR

1 An Act authorizing the establishment of an accelerated career
2 education program and providing a tax credit from withholding.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 411

1 Section 1. NEW SECTION. 260G.1 TITLE.

2 This chapter shall be known and may be cited as the
3 "Accelerated Career Education Program Act".

4 Sec. 2. NEW SECTION. 260G.2 DEFINITIONS.

5 When used in this chapter, unless the context otherwise
6 requires:

7 1. "Accelerated career education program" means the a
8 program established pursuant to section 260G.3.

9 2. "Agreement" means a program agreement referred to in
10 section 260G.3 between an employer and a community college.

11 3. "Board of directors" means the board of directors of a
12 community college.

13 4. "Community college" means a community college
14 established under chapter 260C or a consortium of two or more
15 community colleges.

16 5. "Employee" means a person employed in a program job.

17 6. "Employer" means a business or consortium of businesses
18 engaged in interstate or intrastate commerce for the purpose
19 of manufacturing, processing, or assembling products,
20 construction, conducting research and development, or
21 providing services in interstate or intrastate commerce, but
22 excludes retail services.

23 7. "Highly skilled job" means a job with a broadly based,
24 high performance skill profile including advanced computation
25 and communication skills, technology skills, and workplace
26 behavior skills, and for which an applied technical education
27 is required.

28 8. "Participant" means an individual who is enrolled in an
29 accelerated career education program at a community college.

30 9. "Participant position" means the individual student
31 enrollment position available in an accelerated career
32 education program.

33 10. "Program capital costs" includes, but is not limited
34 to, costs related to any or all of the following:

35 a. Classroom and laboratory renovation.

- 1 b. New classroom and laboratory construction.
2 c. Site acquisition or preparation.
3 d. Instructional equipment and technology.
4 11. "Program costs" means all necessary and incidental
5 costs of providing program services.
6 12. "Program job" means a highly skilled job available
7 from an employer pursuant to a program agreement.
8 13. "Program job credit" means the credit as provided in
9 section 260G.5.
10 14. "Program job position" means a job position which is
11 planned or available for an employee by the employer pursuant
12 to a program agreement.
13 15. "Program services" includes, but is not limited to,
14 all of the following provided they are pursuant to a program
15 agreement:
- 16 a. Program needs assessment and development.
 - 17 b. Job task analysis.
 - 18 c. Curriculum development and revision.
 - 19 d. Instruction.
 - 20 e. Instructional materials and supplies.
 - 21 f. Computer software and upgrades.
 - 22 g. Instructional support.
 - 23 h. Administrative and student services.
 - 24 i. Related school to career training programs.
 - 25 j. Skill assessment services and testing.
 - 26 k. Contracted services.

27 Sec. 3. NEW SECTION. 260G.3 PROGRAM AGREEMENTS.

28 1. A community college may enter into an agreement with an
29 employer in the community college's merged area to establish
30 an accelerated career education program. The program shall be
31 developed by an employer, a community college, and any
32 employee of an employer who represents a program job. If a
33 bargaining agreement is in place, a representative of the
34 employee bargaining unit shall also take part in the
35 development of the program.

1 2. An agreement may include reasonable and necessary
2 provisions to implement the accelerated career education
3 program. If an agreement is entered into, the community
4 college and the employer shall notify the department of
5 revenue and finance as soon as possible. The community
6 college shall also file a copy of the agreement with the
7 department of economic development as required in section
8 260G.6. The agreement shall provide for program costs,
9 including deferred costs, which may be paid from any of the
10 following sources:

11 a. Program job credits which the employer receives based
12 on the number of program job positions agreed to by the
13 employer to be available under an agreement.

14 b. Cash or in-kind contributions by the employer toward
15 the program cost. At a minimum, the employer contribution
16 shall be twenty percent of the program costs.

17 c. Tuition, student fees, or special charges fixed by the
18 board of directors to defray program costs.

19 d. Guarantee by the employer of payments to be received
20 under paragraphs "a" and "b".

21 3. An agreement shall include a provision which specifies
22 the type and amount of funding sources which shall be used to
23 pay for program costs.

24 4. An agreement shall describe program services and
25 schedules for implementation.

26 5. The term of an agreement shall not exceed five years
27 from the date of the agreement. However, the agreement may be
28 renewed.

29 6. As part of the agreement, the employer shall agree to
30 interview graduating participants for full-time positions with
31 the employer and to provide future hiring preferences to
32 graduates of the accelerated career education program provided
33 for in the agreement.

34 7. As part of an agreement, if an employer has more than
35 four sponsored participants in the program, the employer shall

1 agree to offer a program job position of full-time employment
2 to at least twenty-five percent of those participants who
3 successfully complete the program.

4 8. An agreement shall provide for a wage level of no less
5 than two hundred percent of the federal poverty level for a
6 family of two as defined by the most recently revised poverty
7 income guidelines as published by the United States department
8 of health and human services at the time the agreement is
9 entered into.

10 9. An agreement shall allow an employer to decline to
11 satisfy any provisions in the agreement relating to
12 subsections 6 and 7 if an employer experiences an economic
13 downturn. For purposes of this subsection, "economic
14 downturn" may include a layoff of existing employees, reduced
15 employment levels, increased inventories, or reduced sales, if
16 specified in the agreement.

17 10. Participants shall agree to interview with the
18 employer following completion of the accelerated career
19 education program.

20 Sec. 4. NEW SECTION. 260G.4 PROGRAM ELIGIBILITY AND
21 DESIGNATION.

22 1. Any of the following community college programs are
23 eligible for designation and approval as an accelerated career
24 education program by the board of directors:

25 a. A credit career, vocational, or technical education
26 program resulting in the conferring of a certificate, diploma,
27 associate of science degree, or associate of applied science
28 degree, which increases program capacity to enroll added
29 participants.

30 b. A credit equivalent career, vocational, or technical
31 educational program consisting of not less than five hundred
32 forty contact hours of classroom and laboratory instruction
33 and resulting in the conferring of a certificate or other
34 recognized, competency-based credential, which increases
35 program capacity to enroll added participants.

1 2. Program costs shall be calculated or recalculated on an
2 annual basis based on the required program services and for a
3 specific number of participant positions.

4 Sec. 5. NEW SECTION. 260G.5 PROGRAM JOB CREDITS FROM
5 WITHHOLDING.

6 In order to develop and retain program jobs within the
7 state, an agreement entered into under section 260G.3 may
8 include a provision for program job credits based on program
9 jobs identified in the agreement. If a program provides that
10 part of the program costs are to be met by receipt of program
11 job credits, the method to be used shall be as follows:

12 1. Program job credits shall be based upon the program job
13 positions identified and agreed to in the agreement.

14 2. Eligibility for program job credits shall be based on
15 certification of program job positions and program job wages
16 by the employer at the time established in the agreement. An
17 amount up to twelve percent of the gross program job wage as
18 certified by the employer in the agreement shall be credited
19 from the total payment made by an employer pursuant to section
20 422.16. The employer shall receive a credit against all
21 withholding taxes due by the employer regardless of whether or
22 not the withholding by the employer of current program job
23 wages is less than twelve percent. The employer shall remit
24 the amount of the credit quarterly in the same manner as
25 withholding payments are reported to the department of revenue
26 and finance, to the community college to be allocated to and
27 when collected paid into a special fund of the community
28 college to pay, in part, the program costs. When the program
29 costs have been paid, the employer credits shall cease and any
30 moneys received after the program costs have been paid shall
31 be remitted to the treasurer of state to be deposited in the
32 general fund of the state.

33 3. The employer shall certify to the department of revenue
34 and finance that the program job credit is in accordance with
35 the agreement and shall provide other information the

1 department may require.

2 4. A community college shall certify to the department of
3 revenue and finance that the amount of the program job credit
4 is in accordance with an agreement and shall provide other
5 information the department may require.

6 5. Employees from an employer participating in an
7 agreement shall receive full credit for the amount withheld as
8 provided in section 422.16.

9 Sec. 6. NEW SECTION. 260G.6 MAXIMUM STATEWIDE PROGRAM
10 JOB CREDIT.

11 The total amount of program job credits from all employers
12 which shall be allocated for all accelerated career education
13 programs in the state in any one fiscal year shall not exceed
14 the sum of thirty-three million dollars. A community college
15 shall file a copy of each agreement with the department of
16 economic development. The department shall maintain an annual
17 record of the proposed program job credits under each
18 agreement for each fiscal year. Upon receiving a copy of an
19 agreement, the department shall allocate any available amount
20 of program job credits to the community college according to
21 the agreement sufficient for the fiscal year and for the term
22 of the agreement. When the total available program job
23 credits are allocated for a fiscal year, the department shall
24 notify all community colleges that the maximum amount has been
25 allocated and that further program job credits will not be
26 available for the remainder of the fiscal year. Once program
27 job credits have been allocated to a community college, the
28 full allocation shall be received by the community college
29 throughout the fiscal year and for the term of the agreement
30 even if the statewide program job credit maximum amount is
31 subsequently allocated and used.

32 Sec. 7. NEW SECTION. 260G.7 FACILITATOR.

33 The department of economic development shall administer the
34 statewide allocations of program job credits to accelerated
35 career education programs. The department shall collect data

1 related to the programs and prepare an annual report regarding
2 the activities of the programs during the previous fiscal
3 year. The report shall be submitted to the governor and the
4 general assembly by December 31 of each year.

5 Sec. 8. NEW SECTION. 260G.8 CUSTOMER TRACKING SYSTEM.

6 All participants in an accelerated career education program
7 shall be included in the customer tracking system implemented
8 by the department of workforce development pursuant to section
9 84A.5 following program completion.

10 Sec. 9. NEW SECTION. 260G.9 PROGRAM CAPITAL FUNDS
11 ALLOCATION.

12 If moneys are appropriated by the general assembly to
13 support program capital costs, the moneys shall be allocated
14 on a first-come, first-served basis. In order to receive such
15 moneys a program agreement approved by the community college
16 board of directors must be in place, program capital cost
17 requests shall be approved by the Iowa economic development
18 board created in section 15.103, program capital cost requests
19 shall be approved or denied not later than sixty days
20 following receipt of the request by the department, and
21 employer contributions toward program capital costs shall be
22 certified and agreed to in the agreement.

23 EXPLANATION

24 This bill provides that a community college may enter into
25 an agreement with certain employers in the community college's
26 merged area to establish an accelerated career education
27 program. The bill provides that the program shall be
28 developed by an employer, a community college, and any
29 employee of an employer who represents a program job, and if a
30 bargaining agreement is in place, a representative of the
31 employee bargaining unit.

32 The bill provides that certain types of community college
33 programs are eligible for designation as an accelerated career
34 education program. The bill provides that, after entering the
35 agreement, the department of revenue and finance and the

1 department of economic development shall be notified of the
2 agreement.

3 The bill provides that the agreement shall specify the type
4 and amount of funding sources which will be used to pay for
5 the program costs. The bill provides that possible funding
6 sources include tax credits from withholding, cash or in-kind
7 contributions by the employer, and tuition, fees, or special
8 charges fixed by the community college.

9 The bill provides that as part of the agreement, the
10 employer shall agree to interview graduating participants in
11 the program and provide future hiring preferences. The bill
12 provides that as part of an agreement, if an employer has more
13 than four sponsored participants in the program, the employer
14 shall agree to offer a program job position to at least 25
15 percent of those participants who successfully complete the
16 program. The bill provides that an agreement may allow for an
17 employer to decline to satisfy job guarantee provisions of the
18 bill if the employer experiences an economic downturn. The
19 bill provides that an agreement shall provide for a wage level
20 of no less than 200 percent of the federal poverty level for a
21 family of two. The bill provides that participants in the
22 program shall agree to interview with the employer.

23 The bill provides that the method for using the tax credit
24 from withholding, which is one option for paying for the
25 program costs. The bill provides that an amount up to 12
26 percent of the gross wages of the program jobs in an agreement
27 shall be credited from the total payment made by the employer.
28 The credit shall be against all withholding taxes due by the
29 employer. The bill provides that the employer and community
30 college must make certain certifications to the department of
31 revenue and finance regarding how the credits are in
32 accordance with the program agreement.

33 The bill provides that the total amount of tax credits from
34 withholding which shall be allocated for statewide accelerated
35 career education programs in any one fiscal year shall not

1 exceed \$33 million. The bill provides that the department of
2 economic development shall maintain an annual record of tax
3 credits allocated and shall allocate any available credits to
4 community colleges in accordance with any agreements. The
5 bill provides that once the maximum statewide amount has been
6 allocated, the department shall notify all community colleges
7 in the state of this fact and that further credits will not be
8 allocated during the fiscal year.

9 The bill provides that the department of economic
10 development shall collect data related to the programs and
11 prepare an annual report regarding the activities of the
12 programs for submission to the governor and the general
13 assembly. The bill provides that participants in the programs
14 shall be included in the customer tracking system implemented
15 by the department of workforce development.

16 The bill provides a method of allocation of moneys
17 appropriated by the general assembly for program capital
18 costs. The bill provides that the funding shall be on a
19 first-come, first-served basis, that a program agreement must
20 be in place, that the program capital cost requests must be
21 approved by the Iowa economic development board within 60 days
22 of the receipt of the request, and that employer contributions
23 toward program capital costs shall be certified and agreed to
24 in the agreement.

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**SENATE FILE 411
FISCAL NOTE**

A fiscal note for **Senate File 411** 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.

Senate File 411 creates an Accelerated Career Education (ACE) Program. The Program is an agreement between a community college, an employer, and a potential employee, that provides training to individuals. The Program costs would be paid by student tuition, employer contributions, and diversion from the State General Fund of withholding taxes paid by the present employees of the employer. The diversion is equal to 12.0% of the annual wage paid to a person in the type of position for which a graduate would be qualified. The total amount of tax withholding to be diverted in a fiscal year is capped at \$33.0 million. Any employer diverting withholding tax for four or more positions must agree to offer employment to at least 25.0% of the graduates that were sponsored by that employer. The employer would be released from the hiring requirement in the event of an economic down turn. The Department of Economic Development is required to produce an annual report covering Accelerated Career Education Program activities. To accommodate up to 9,700 additional students, the community colleges will require a capital investment in land, buildings, and equipment.

ASSUMPTIONS

1. The per student per year cost would be \$6,500, excluding capital costs.
2. Of the \$6,500 annual cost, the student would pay \$1,800 (27.7%) in tuition, the employer would pay \$1,300 (20.0%), and the State would pay \$3,400 (52.3%) through the diversion of withholding tax from the General Fund.
3. The number of students in the Accelerated Career Education Program will be 2,800 in FY 2000, 5,600 in FY 2001, 8,400 in FY 2002, and 9,700 in FY 2003 (the maximum allowed with the \$33.0 million cap).
4. The community college system would require appropriations from the State totaling \$80.1 million to pay for capital costs associated with the Program.

FISCAL IMPACT

The fiscal impact of Senate File 411 over the five-year period beginning in FY 2000 would be \$203.2 million. Of this amount, \$123.1 million would be decreased receipts to the General Fund and \$80.1 million would be appropriations for capital costs. The cost by fiscal year is projected to be:

<u>Year</u>	<u>General Fund Income Tax Withholding</u>
FY 2000	\$ -9.5 million

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FY 2001	-19.0 million
FY 2002	-28.6 million
FY 2003	-33.0 million
FY 2004	-33.0 million

<u>Year</u>	<u>Legislative Appropriations For Capitals</u>
FY 2000	\$26.7 million
FY 2001	26.7 million
FY 2002	26.7 million
FY 2003	0.0 million
FY 2004	0.0 million

The General Fund fiscal impact in FY 2005 and subsequent fiscal years would be \$33.0 million.

The Bill does not provide funds for administrative costs of the Department of Economic Development.

SOURCES

Iowa Association of Community College Trustees
Department of Economic Development

(LSB 1816SV, JWR)

FILED MARCH 29, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR