Iowa Industrial New Jobs Training Program (260E)

HF 2799 Interim Study Committee | Summary of Evidence

1. Original objectives and alignment with current workforce needs

260E helps new or expanding businesses train workers for genuinely new jobs—not replacement hiring or general incumbent-worker training. That purpose remains relevant, but today's labor shortages, rapid skill change, retention challenges, and excluded sectors raise a policy choice: keep the program focused or broaden its purpose.

2. Number of jobs created

FY2017-FY2026 records show 798 contracts, 38,312 jobs pledged, and 35,254 filled—about 92% of the commitment. A separate 2020 study estimated 20,808 net jobs through FY2018 after applying a 71% employer-reported attribution factor. Because the periods and methods differ, the figures should not be combined.

3. Wage increases before and after participation

A four-project 2011 pilot found median wages at sponsoring employers rose 23% to 40% from 2002 to 2009, and participants generated more than $97 million in cumulative Iowa wages. The small study could not isolate 260E's effect. No statewide longitudinal wage analysis has been identified.

4. Employee retention rates

Iowa does not consistently track retention with the original employer, continued work in the field, or continued Iowa employment. In the four-project pilot, seven-year retention ranged from 9 of 60 to 44 of 50 employees; many who left the sponsoring employer remained employed elsewhere in Iowa.

5. Financial impact, cost-effectiveness, and return

The 2020 analysis estimated $14.7 billion in added income, $42.9 billion in sales impact, and $1.272 billion in net added state and local tax revenue for FY2013-FY2018. Even a 35% attribution scenario produced $7.3 billion in added income and $0.6 billion in added tax revenue. FY2017-FY2026 program cost was about $4,700 per job. 260E also generates revenue that provides $3 million to the apprenticeship training program fund for the purposes of chapter 84E and $4.75 million to the job training fund for the purposes of chapter 260F.

6. Quality and relevance of training

Training begins with an employer needs assessment and plan, uses qualified instructors, and is validated by the employer. Colleges document completed training, but the state does not aggregate common measures such as completion, skill gains, credentials, employer satisfaction, or job performance.

7. Targeting high-demand industries

260E primarily supports manufacturing, food processing, agribusiness, distribution, and related traded industries. A complete assessment should compare participating industries, occupations, locations, wages, and job counts with current statewide and regional high-demand projections.

8. Sectors requiring greater focus

Potential gaps include health care, nursing, skilled trades, advanced manufacturing, frontline-worker upskilling, replacement demand, and retention. Policymakers must decide whether to broaden 260E or strengthen complementary programs, especially 260F, which serves incumbent workers and receives revenue connected to 260E.

9. Participant perspectives: strengths and weaknesses

Employers and colleges cite customized training, faster expansion, technology adoption, productivity and safety gains, leadership development, and stronger partnerships. Less is known about administrative burden, delays, uneven access, underperforming projects, skill portability, and employee outcomes. Direct employee and former-employee input is still needed.

10. Community college and training-provider partnerships

Iowa's 15 community colleges develop training plans, coordinate providers, administer financing, document compliance, process reimbursements, and monitor agreements. The model is locally responsive, but consistency, capacity, and access may vary by college, region, employer size, and project volume.

11. Compliance monitoring and oversight

Funds are tied to eligible training, actual hiring, documentation, and withholding. Colleges may delay, restrict, or freeze reimbursements when requirements are not met; unused funds may support bond obligations rather than go to the employer. These safeguards are meaningful, though the distributed system requires substantial administration, timely data exchange, and consistent procedures.

12. Comparison with other employer incentives

260E's advantage is timing: college-issued bonds make customized training available near the start of an expansion and are repaid from withholding generated by new jobs. Grants depend on appropriations, tax credits generally follow qualifying activity, reimbursements require upfront spending, and loans use the employer's own repayment resources. A true cost comparison requires consistent definitions and periods.

13. Use of bond interest

Colleges report using or reserving bond interest for debt service, protection against withholding shortfalls or defaults, administration, workforce-training capacity, and restricted project reserves. Practices vary, but interest primarily supports debt management and risk protection.

14. Transferability of employee skills

Leadership, communication, business, technology, cybersecurity, safety, continuous improvement, project management, and recognized credentials are generally portable. Industry-specific skills may transfer within a sector; training tied to proprietary equipment, software, processes, or internal policies may be employer-specific.

15. Payment mechanism

Community colleges issue bonds repaid through withholding credits from new jobs, making training funds available before the full economic benefit is realized. The model also creates financing costs, administrative duties, and risk when hiring or withholding falls short. For agreements beginning July 1, 2026, HF 2799 limits bonds to 70% of eligible training costs, caps deferred costs at seven years, and lowers the administrative-expense cap from 19.5% to 15%. Proposed rules would require an up-front cash payment for 30% of the trainings costs for all businesses and would further reduce administrative expenses to 7%.

Central policy question

Should 260E remain a focused economic-development incentive for new jobs, or expand to address broader workforce needs? The decision should also account for 260F and the need for stronger statewide outcome data.