EXECUTIVE SUMMARY

In 1983, the Iowa General Assembly passed the 260E Industrial New Jobs Training Program with the stated purpose of providing training for new employees in new and expanding companies. Businesses engaged in "manufacturing, processing, or assembling products, conducting research and development, or providing services in interstate commerce [and excluding] retail, health, or professional services" are eligible to apply for assistance.

Under 260E.6, community colleges are allowed to issue and sell bonds to fund workforce training projects. Iowa is the only state in the nation that uses this funding mechanism to fund workforce training programs and it is very expensive.

Between 2012-2025, the 260E program expended funds as follows:

Administrative costs and fees	$251,745,527 (39% of total costs)
Designated Worker Training Funds	$394,613,132 (61% of total costs)
Total 260E program costs	$646,359,132

A review of the program shows the following:

- $40M is diverted from the general fund each year to retire 260E bond debt
- A little over 39% of this amount, or $251,745,527, was spent on either the costs of servicing the bonds (approximately 50%) and the remaining 50% was paid to community colleges as administrative fees.
- The average cost of training a single employee between 2012 – 2025 was $9,704 per person.
- During the same time, community college tuition averaged between $5,790 and $7,080 a year per student or approximately $3,900 and $2,600 less than a 260E project.
- During the 13 years, 798 unique employers enrolled in 260E projects out of a total of 86,651 employers in the state. The program therefore serves less than 1% of Iowa's employers (37% of the participating employers had multiple contracts).
- As of September 2025, community colleges have $108,982,334 available for training from unspent dollars as well as $30M in bond interest and administrative funds available for their own use.
- An audit conducted by the Iowa State Auditor in 2009 and again in 2020 made the following relevant findings:
    - "There is no clear evidence these jobs add to the base employment or expand economic opportunity past the end of the contract".
    - Training provided for projects was not specific or exclusive to the new jobs created.
    - Training such as orientation, leadership development and occupational health and safety classes should have been provided by the participating businesses regardless of participation in the 260E program.

- There is no 3rd party verification related to whether the jobs pledged were created and retained.

Over 82% of the training is conducted by either the employer (59.21%) or a third-party vendor (23.21%). Community colleges provide only 17.59% of the training.

Between 2012-2025, employers pledged to create 56,604 total new jobs in the corresponding contracts and ultimately reported creating 45,573 jobs. This information cannot be verified by IWD and is self-reported by the community college. During the same time frame, 92,000 jobs were reported to have been created in all of Iowa. Businesses are given 10 years to create jobs.

Strengths of the program identified by **employers and vendors**:

- The program is very important to upskilling current employees.
- 260E provides funding over and above the cost of training the new employees identified in the agreement and that funding is being used for other purposes such as upskilling current employees.
- The program allows companies to develop training materials for the entire company, not just new hires.
- Employers do not have to provide match funding to receive funds.
- Community Colleges align businesses with training vendors to help meet their needs.

Compliance Concerns:

- This program does not provide safeguards or accountability for the use of public funds. There is no third-party verification of jobs created or retained, if the project meets the statutory requirements of the program prior to financing and if the funds are used for the purpose outlined in the contract.
- There is lack of transparency of use of funds if jobs are not created or projects do not move forward after the bonds have been issued.
- The financing structure of the 260E program raises significant concerns regarding cost-effectiveness, fiscal responsibility, and the appropriate use of public funds given the program has a **40% administrative cost**. Iowa's use of bonding to finance workforce training created 10-year debt obligations for expenses that are typically incurred over a short period, with most training completed within four to eight weeks.
- There is no detailed accounting for how the community colleges spend the administrative fees or interest income. The colleges spend their administrative funds, and the interest they earn on their certificate proceeds, on both "direct" (or program-relevant) expenses, and on "non-direct" (or unrelated) expenses. For the last fiscal year reported for each college, 39% of administrative funds were spent on non-direct expenses — expenses that were not related to the program such as facilities and remodeling, and non-program-related accounting. The code allows for funding for administrative expenses for the new jobs training program. The Colleges are collecting an administrative fee significantly larger than what is needed to cover the administrative expenses of the program and using those proceeds on other colleges expenses that should be funded through the general fund.
- Iowa's use of bonding to finance workforce training creates long-term debt obligations for expenses that are typically incurred over a short period, with most training completed within four to eight weeks. The state repays these costs over ten years at interest rates ranging from 4% to 6% substantially extending the repayment period beyond the delivery of the training itself. It is estimated that the state loses approximately $40 million in tax revenues each year to repay 260E debt.

- Tax revenue is being diverted for uses other than to retire bond debt.
- The program has evolved beyond the scope and intent established in statute. Although businesses and third-party vendors consistently identify upskilling existing employees as a primary use of program funding, current law does not authorize this application. Additionally, contracts do not adequately reflect or document the use of funds for this purpose.
- The 260E program has evolved from a demand-driven model, in which businesses expanding or locating in Iowa sought state funding to address specific workforce needs, to a model in which community colleges proactively solicit employer participation based on potential job growth over a 10-year horizon. This approach raises questions about whether participation is being driven by demonstrated business expansion needs or by incentives associated with the administrative fees colleges receive for administering the program.
- 260E provided funding "over-and-above the cost of training the new employees identified in the agreement" and no transparency in reporting for how these funds are used
- Contracts are often turned in with incomplete information including how the funds will be spent.
- Ineligible industries/businesses are allowed to use the program.
- Colleges do not consistently place businesses that are behind on payments in default status.
- Information related to job retention for jobs funded through the training is not available.

Conclusion:

The 260E program has outlived its original purpose and because it has not been revised in decades, it has led to significant issues such as the lack of compliance and monitoring that can be completed; exorbitant administrative expenses (roughly 40% of the total cost of the bonds); no accountability measures in place when contract requirements are not met; limited ability to determine whether bond funds are being used by employers for permissible purposes; no consequence for employers who receive or have 260E funds and then have large layoffs or do not hire the number of positions pledged and whether they continue to be eligible for the program after layoffs or bankruptcy; the loss of an average $40M annually in state revenues due to deferred taxes; the antiquated funding mechanism; and that the training is not being conducted by community colleges nor does the majority of the training result in transferable skills necessary to help improve employer's production or development of a skilled workforce.

Recommendation:

For the reasons listed here and detailed in the complete report, we recommend sunsetting bonding immediately and discontinuing the program at the earliest possible time. We recommend replacing it with a program funded in a sustainable manner; administered by workforce to significantly reduce administrative costs and increase accountability and transparency; is directly accessible by employers who select the training and providers; is used primarily for upskilling in transferrable, hard skills; and focused primarily on Iowa's two largest industries, advanced manufacturing and healthcare as well as the trades.