



December 18, 2024

MEMO

To: Members of the Iowa General Assembly

Iowa Workforce Development is proposing a number of modifications to Iowa code in 2025 to provide more effective and more efficient administration of workforce programs. These proposed code changes can be grouped into four main categories:

1. **Adult Education and Literacy Changes**

As a result of the passage of SF514 in 2023, IWD is the agency responsible for administering adult education and literacy programs in Iowa. As part of that shift, code was transferred to IWD with the language unchanged from when the adult education and literacy programs were under the purview of the Department of Education. This code includes language that requires IWD and the community colleges to jointly implement the programs. This is in direct conflict with federal law, which requires the “eligible agency” (IWD) to award competitive grants to eligible providers (community colleges are only one type of eligible provider) to implement the program – 34 CFR 463.20(a).

Additionally, federal law requires that the eligible agency (IWD) ensure that all eligible providers have equitable access to apply and compete for these grants/contracts – 34 CFR 463.20(c). If the community colleges are required by state code to “jointly implement” adult education programs, then community colleges would be legally prohibited from applying for the funds due to the state law requirement that they administer the program. Eliminating community colleges from the pool of eligible training providers for Title II funds would have a significant adverse impact on the state’s ability to serve Iowans and effectively implement the programs.

Therefore, changing the language in Iowa Code **84A.19** is required to ensure that community colleges remain valued partners in the adult education program across the state and to ensure that Iowa is in compliance with federal regulations.

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2. Eliminating Taxable Wage Base Credits

In calculating taxes necessary to support Iowa's Unemployment Insurance, the state currently gives employers credit for Unemployment Insurance taxes paid on the wages of employees in other states. Only 2 percent of Iowa employers currently receive this credit, but implementing it carries unnecessary administrative costs.

We propose to modify Iowa Code **96.1A(36)** and eliminate language that currently includes taxes paid "in another state which extends a like comity to this state" as part of the definition of "taxable wages." Going forward, this would mean Unemployment Insurance taxes will be paid solely on wages to employees in Iowa, with no credit to the employer for any unemployment insurance taxes paid elsewhere.

3. STEM Internship Program

Iowa Code **84A.21** identifies state funding for employers who wish to employ interns. The two allocations described in the code are known generally as the STEM Internship Program and the Targeted Industries Internship Program (TIIP). However, TIIP was not funded by the legislature for FY2025, leaving a gap in available funding options for employers. With TIIP unavailable, the STEM Internship Program has seen increased requests. Applicants who historically applied for TIIP instead have applied for STEM for FY2025, necessitating additional funding to meet the need.

We are proposing that the legislature combine the STEM and TIIP programs into one internship program, ending TIIP and increasing the overall award to the FY2024 level. (STEM was funded at \$633,325 for FY2024 and FY2025, while TIIP was operated in FY2024 with \$406,100 from the Skilled Worker and Job Creation Fund via IEDA. Funding at this level would create a combined appropriation of \$1,039,425.)

4. Workforce Services Cleanup

Iowa Code Chapter **84A** is for Iowa Workforce Development, including language regarding IWD's role related to workforce programming in the state. Much of the language in 84A is outdated and/or is a duplication of language in the federal workforce legislation. It is therefore unnecessary. Additionally, the federal workforce legislation that 84A intends to enact is currently up for reauthorization and will change, making much of 84A obsolete. We would propose that this language be removed and replaced with general language stating that IWD will administer workforce programs in compliance with current federal legislation.

Additional proposals include striking code related to IWD's role in programs that (post alignment) are no longer under the control of IWD and/or programs that no longer exist.

Note on 84A.6(4): This code section was added during the 2023 legislative session to shift educational job postings in Iowa from the Teach Iowa website to Iowa *WORKS.gov*. The Department of Education has since resurrected the Teach Iowa site. While IWD will continue to post education jobs on the Iowa *WORKS* website, we are proposing that it no longer be required and that the code section be removed.

Respectfully,

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