IOWA Department of REVENUE

Iowa New Jobs Training Program (260E)

Part 1: Background

Tax Credits Program Evaluation Study

April 2010

By
Angela Gullickson
Zhong Jin

Tax Research and Program Analysis Section
Iowa Department of Revenue

Preface

Beginning with fiscal year 2006, the Iowa Department of Revenue established the Tax Credits Tracking and Analysis Program to track tax credit awards and claims. In addition, the Department performs periodic evaluations of tax credit programs. The evaluation of the State's Industrial New Jobs Training (260E) Program represents the sixth of these studies.

As part of the evaluation, an advisory panel was convened to provide input and advice on the study's scope and analysis. We wish to thank the members of the panel: Jude Igbokwe from Iowa Workforce Development, Peter Orazem from Iowa State University, Steve Ovel from Kirkwood Community College, Lane Palmer of the Iowa Department of Economic Development, and Tom Schenk of the Iowa Department of Education.

This study and other evaluations of Iowa tax credits can be found on the Tax Credits Tracking and Analysis Program Web page on the Iowa Department of Revenue Web site located at: **http://www.state.ia.us/tax/taxlaw/creditstudy.html.**

Table of Contents

Part 1 – Executive Summary

The Iowa New Jobs Training Program (260E) is a customized job training program and an economic development incentive program. It was enacted in 1983 and is administered by Iowa's fifteen community colleges and coordinated by the Iowa Department of Economic Development. The program allows community colleges to enter into agreements with employers to establish a project, which is defined as a training arrangement to provide program services. Program services include but are not limited to: new jobs training; adult basic education and job related instruction; vocational and skill-assessment services and testing.

Projects, including administrative expenses, are financed through the issuance of tax exempt and/or taxable bonds. The agreement must provide information on how the bonds are going to be paid off, such as: incremental property taxes from an employer's business property where new jobs are created as a result of the project; New Jobs Credit from Withholding from new employment resulting from the project; or tuition, student fees, or special charges. The dominant funding mechanism is the New Jobs Credit from Withholding.

The employer can also claim an income tax credit equal to six percent of the taxable wages covered by unemployment insurance of the new employees.

Job Training Programs Across the United States

- Forty-eight states currently have some form of customized job training program. In 2005 and 2006, Iowa had the highest per capita spending with $42.48. Of the states that neighbor Iowa, Missouri had the highest per capita job training spending at $11.60, with Nebraska not far behind at $9.54. Wisconsin had the lowest per capita spending with only $1.10. Minnesota, Illinois, and South Dakota fell in the middle with $2.48, $2.97, and $5.35 per capita spending.

260E Program Awards

- The annual number of awards varies and is somewhat cyclical because of the demand driven nature of the program. The highest number of projects was approved in fiscal years 2005 and 2007 when 164 awards were made each year. Excluding the first five years when the program was being established, the lowest number of awards was approved in FY 1992, when only 65 awards were made.
- The average award approved over the lifetime of the 260E program is about $400 thousand.
- For fiscal years 1996 through 2009, over 60 percent of 260E awards were issued to small or medium-sized firms.
- Nearly half of the firms with 260E awards have been in the manufacturing sector. A significant number of awards have also been made to firms in the financial and insurance sectors

260E Program Claims

- In fiscal year 2008, 260E claims, including withholding and income tax credits, totaled $50.6 million.
- For fiscal years 2006 through 2009, over 88 percent of 260E claims made against withholding taxes were made by small or medium-sized firms.
- The top five industries, accounting for over 45 percent of withholding tax claims, include insurance carriers, food manufacturing, machinery manufacturing, credit intermediation, and transportation equipment manufacturing.

I. Introduction

Most states have established job training programs in an effort to recruit businesses by developing a skilled workforce. According to the Iowa Department of Economic Development (DED) Web site, there are six job training programs in the State of Iowa administered by DED. While this report briefly discusses all of these programs, this evaluation study focuses on the Iowa New Jobs Training Program (260E). A future study planned for later during 2010 will address the Accelerated Career Education (ACE/260G) Program. Both the Iowa New Jobs Training Program and the Accelerated Career Education Program are funded through reallocation of individual state income withholding taxes to community colleges by businesses that have entered into training arrangements with the community colleges.

It should be noted that the 260E program is not a tax credit program in the technical sense of the term. It uses a job credit from withholding to transfer state withholding taxes from an employer with a 260E agreement to the community college with which the agreement was made. The program has been included in Tax Credits Tracking and Analysis Program because like for tax credits taxes used to fund this program would otherwise be available for General Fund appropriations to support other functions of State government.

In order to provide information in a timely manner, this evaluation study will be released in two parts. The first part will provide a history of federal and Iowa job training programs. In addition, the report includes a review of the literature of other job training program analyses, a summary of job training programs in other states, and a summary of information regarding the 260E withholding tax diversions made by businesses and received by community colleges. The second part of the study, expected to be released in the next few months, will provide the economic and fiscal analyses of the effects of the 260E program.

II. Description and History of Job Training Programs

A. Federal Job Training Programs

The share of the United States workforce engaged in manufacturing has experienced a significant decrease over the past fifty years. In 1960 manufacturing jobs accounted for 28.4 percent of U.S. nonfarm employment; in 2009, this percentage was only 9.1 percent Over the same period service sector employment has increased from 64.5 percent to 85.7 percent of total U.S. nonfarm employment (BLS, 2009). As these changes take place, the workforce skills needed by employers have also changed. In order to meet these changing needs, for many years, the federal government has provided funding to retrain workers. The federal employment and training programs have focused on providing job training assistance directly to individuals who are unemployed, displaced, under-skilled, and disadvantaged to help prepare them for employment in the changing economy.

In March 1962, President John F. Kennedy signed the Manpower Development and Training Act (MDTA). One goal of the program was to retrain workers that had been displaced by new technology. Also, the program intended to eradicate poverty by targeting training at low income workers and welfare recipients. MDTA distributed funding through twelve regional Department of Labor offices, with each office overseeing four to six states.

The MDTA sunset in 1969. Some evaluations of the program conclude it did not accomplish its intended goals. These evaluations cited the program's administrative structure as part of the problem. Specifically, federal contracts made directly with the local service providers left state and local governments with little or no input. Also, the evaluations determined that the duplication of service delivery at the local level created inefficiencies (O'Leary, Straits, and Wandner, 2004).

In 1973 Congress enacted the Comprehensive Employment and Training Act (CETA). Again the program targeted low income people and welfare recipients, especially the long term unemployed. Also, the program provided low income high school students with summer jobs. The program granted funding to "prime sponsors" in approximately 470 sub-state regions, where prime sponsors were generally state or local governments with populations of 100,000 or more (CBO and NCEP, 1982). The program provided three main types of training: on-the-job training, classroom training, and work experience.

Evaluations of the CETA program determined that on-the-job training was usually more effective than classroom training. Also, results showed that while there was a positive and significant effect on employment and earnings for women, there were no measurable impacts for men (O'Leary, Straits, and Wandner, 2004).

In October 1982, the Job Training Partnership Act (JTPA) replaced CETA. This program limited training options to skills that were in demand by employers. The program aimed at improving the job skills of low income workers, people receiving public assistance, dislocated workers, and disadvantaged youth. This program distributed funding through state governors to private industry councils (PICs), which ensured that private sector employers' job training needs were met. The PICs served 640 service delivery areas, which reported back to the U.S. Department of Labor.

A major part of the JTPA legislation required evaluation and performance monitoring. One complication of this type of evaluation was that, in some cases, project managers would primarily select the most able applicants in order to increase success rates, when it is possible that these people already possessed the skills needed to obtain new employment on their own. A national study of JTPA determined that "training to economically disadvantaged adults resulted in eleven percent greater earnings for women and 6.7 percent greater earnings for men. For both genders, the earnings gains were mainly due to increases in hours worked" (O'Leary, Straits, and Wandner, 2004).

The enactment of the Workforce Investment Act (WIA) in August 1998 repealed JTPA. Under WIA, workforce investment boards (WIBs) replaced the PICs. A majority of WIB board members were required to represent business interests. WIA training targeted the population deemed most difficult to reemploy. One-stop career centers were established to provide employment and training programs under one roof. Also, WIA reduced the amount of reporting compared to that required under JTPA.

WIA allows more flexibility with how states implement the program. Because of this, it is difficult to evaluate the program across states. A 2008 study confirmed that there were noticeable differences in the estimated impacts and pattern of impacts among states. But there were also similarities. The study found that women benefited from the program more than men in both the Adult and Dislocated Worker programs (Heinrich, Mueser, and Troske, 2008).

B. Iowa New Jobs Training Program

The State of Iowa currently offers six job training programs administered by the Iowa Department of Economic Development (DED). These programs, which include the Iowa New Jobs Training Program (260E), the Iowa Jobs Training Program (260F), the Accelerated Career Education Program (260G), the Workforce Training and Economic Development Fund, the Information Technology Training Program, and the Iowa Student Internship Program, offer training through a number of different methods and funding sources. This paper examines the 260E program but further information on the other programs can be found in the appendix.

The Iowa New Jobs Training Program, enacted in 1983, is administered by Iowa's fifteen community colleges and coordinated by DED. The program allows community colleges to enter into agreements with employers to establish a project, which is defined as a training arrangement to provide program services. Program services include but are not limited to: new jobs training; adult basic education and job related instruction; vocational and skill-assessment services and testing; training facilities, equipment, materials, and supplies; on-the-job training; subcontracted services with institutions governed by the Board of Regents, private colleges or universities, or other federal, state, or local agencies; and contracted or professional services.

The legislation allows compensation for administrative expenses and the issuance of bonds. The agreement must provide information on how the program costs are going to be paid. The costs can be paid using one or more of the following: incremental property taxes to be received or derived from an employer's business property where new jobs are created as a result of the project; New Jobs Credit from Withholding to be received or derived from new employment resulting from the project; or tuition, student fees, or special charges fixed by the board of directors to defray program costs in whole or in part. Also, the agreement sets the minimum amount of incremental property taxes, New Jobs Credit from Withholding, or tuition and fee payments, which shall be paid to cover the program costs.[1]

Property taxes have not been used as a funding source since 2000. Most agreements establish that the majority of program costs are to be paid through the New Jobs Credit from Withholding. In these cases, the credit is based on the wages paid to the employees in the new jobs. An amount equal to 1.5 percent of the gross wages paid to each employee participating in a project shall be credited to the payment of withholding taxes. If the amount of the withholding by the employer is less than 1.5 percent of the wages paid to the employees covered by the agreement, then the employer can receive credit against other withholding taxes due. The credits can be claimed for a period of up to ten years or until costs have been covered.

Because the community colleges incur most of the program costs in the first two years they may borrow money through the issuance of bonds. These bonds will be paid back, principal and interest, with the future receipt of funds from the employers per the agreements. The bonds may be sold at public or private sales. The bonds can be issued for either a single project or for multiple projects. The bonds are callable, and can be replaced by new bonds. The employers will pay for the 260E program services and debt service for up to ten years. Most bonds are retired in an average of eight years.

The amount of the credit reported to the Iowa Department of Revenue (IDR) on the quarterly withholding tax return should be remitted to the community college that entered into the agreement with the employer. Those funds will then be put into a special fund by the community college to pay the principal and interest on bonds issued by the college to finance the project. When all the principal and interest on the bonds have been paid, then the credits claimed by the employer cease and any money received after the bonds have been paid is remitted to the State of Iowa Treasurer to be deposited into the State's General Fund.

At the request of IDR, the employer must provide information to certify that the withholding credit is in accordance with the agreement and any other requested information. Also, the community college must certify that the funds received from the employer were remitted to the special fund for bond repayment, if requested by IDR.

Another benefit of the 260E program is the Iowa New Jobs Tax Credit, which is available to businesses that have entered into a 260E contract and plan to increase their employment in Iowa by

[1] The program costs can be deferred for a period not to exceed ten years from the commencement of the agreement. Any payments required to be made by an employer are a lien upon the employer's business property until paid. Costs of on-the-job training for employees cannot exceed fifty percent of the annual gross payroll costs for up to one year of the new jobs.

at least 10 percent. The income tax credit is equal to six percent of the taxable wages covered by unemployment insurance of the new employees. These credits can be claimed against the corporate and individual income taxes.

III. Literature Review

260E is a customized training program for companies expanding or locating in Iowa. Many researchers have examined the effectiveness of various job creation related tax incentives. Bartik (1991) reviewed evidence on whether state and local policies affect job growth. He found that job creation tax credit programs had positive long-term effects, including lower unemployment and higher labor force participation. Roy and Wong (1998) estimated the influence of job creation tax credit programs on employment in Canada. Using cost-effectiveness analysis, they found that targeted direct job creation has worked better than the use of general tax concessions. Gabe and Kraybill (1998) used the survey method and found that job tax credits in Ohio had a positive impact on job creation between 1993 and 1995.

Pope and Kuhle (1996) examined the potential impact of a wages-paid tax credit and a tax credit for the cost of retraining workers in California. Their empirical results suggest that a wages-paid tax credit was more effective in increasing employment than a tax credit for the cost of retraining workers. Bishop and Montgomery (1993) used surveys to collect employment and tax credits information from companies. They estimated the impact of a targeted jobs tax credit on employment in a one year sample period. They found that in every ten subsidized hirings, there are around three new positions and seven existing positions.

Other studies have evaluated the effectiveness of training programs in promoting job creation and economic growth. A study of the federal Comprehensive Employment and Training Act (CBO and NCEP, 1982) found that the program increased the earnings of female participants. Furthermore, the male and female participants with the least previous work experience had the largest earnings gains after the training. Heinrich, Mueser, and Troske (2008) used propensity score matching and differences-in-differences methods to estimate the benefits participants derived from training programs funded under the Workforce Investment Act. They found that individuals who participated in the program experienced a several hundred dollar increase in quarterly income.

Prince (2007) summarized all state worker training programs. The financing mechanisms were the focus of the study. Bond financing and State unemployment insurance-supported training funds are compared in detail. Prince (2006) described how the bond financing method works for Iowa, Missouri, and Kansas. But neither Prince (2007) nor Prince (2006) evaluated the effectiveness or the economic impact of the State workforce training programs. Moore, Blake, Phillips, and McConaughy (2003) evaluated California's Employment Training Panel (ETP) Program. They found that the workers who went through training were more likely to be employed than workers in the control group, using before-and-after comparison. The total impact of California's ETP Program was $413 million of increased labor income of trainees during the first year after training, which cost the state $62.8 million. Harris (2005) compared the employment and earnings of participants in Wyoming in training programs before and after participation using summary statistics. His study showed that after the training the wages of the lower-income workers significantly increased.

IV. Job Training Programs Across the United States

Only two states in the country, Connecticut and Oregon, do not currently have state job training programs. The programs vary greatly across the states (see Table 1) and this section discusses some of the similarities and differences of the state programs. In the 48 states that have programs, there are 67 different job training programs. Kansas and Missouri each have three different programs and there are 14 states which have two programs.

The oldest job training program in the country was established in 1961 in South Carolina. While the name has changed since the program was enacted, the services have essentially remained the same. Four other states began their existing job training programs in the 1960's. Two of those states are also located in the southeast part of the country and the other two are located in the south central region. Five states started their programs in the 1970's, with another 14 states adding programs in the 1980's. The 1990's was the most prolific decade for the creation of state job training programs, with 18 states starting programs. Six more states have started programs since 2000. In cases where a state has more than one program and the programs had different start dates, the earlier year was used.

A. Administration and Funding

The agency that administers the job training program varies by state. Generally, the programs are administered by either the community college system or the Department of Economic Development. In some states the programs are administered by the Department of Labor or the Department of Commerce. There are several instances where the program is administered by two different agencies.

Most state job training programs offer services to both new and incumbent employees. However, there are six states that only offer services to incumbent employees and three states that offer services to only new employees. There are five states that provide services to both new and incumbent employees, but they do it through a separate program for each population. Kansas has three programs, one for new employees, one for incumbent employees, and one for both new and incumbent employees.

Over half of the job training programs are funded through state General Funds, with 37 programs funded solely through General Funds. There are four programs that partially use General Funds and supplement the funding with either bonds, interest from the unemployment insurance (UI) fund, or special funds. Fourteen programs are funded through an offset of the UI tax. Five programs are financed with bonding, including Iowa's 260E program, and three programs offer tax credits. There are two job training programs that are funded using funds from the state lottery. One program exclusively uses interest from their UI fund and Iowa's ACE program is partially funded by a withholding diversion. As indicated in Table 1, there are currently three programs that have been temporarily suspended due to budgetary issues.

B. Per Capita Spending and Restrictions

A study on state job training programs conducted by Duscha and Graves (2006) gathered information on customized job training spending per capita for each state with programs in 2005 and 2006. Iowa had the highest per capita spending with $42.48. The state with the next highest spending was Mississippi with $24.64. Louisiana was the only other state that had per capita spending that exceeded $20. There are five states that spent between $10 and $20 per capita and eleven states spent between $5 and $10. The remaining 40 states spent less than $5 per capita on job training programs.

Of the states that neighbor Iowa, Missouri (which also has a program funded by bonds) has the highest per capita job training spending at $11.60, with Nebraska not far behind at $9.54. Wisconsin has the lowest per capita spending with only $1.10. Minnesota, Illinois, and South Dakota fall in the middle with $2.48, $2.97, and $5.35 per capita spending, respectively.[2]

All states with job training programs impose some restrictions or conditions on funding approved for job training. One popular restriction is that retail businesses do not qualify. Some states extend the business type restriction to include such industries as non-profits, health care, utilities, mining, and extraction companies. Many states also set wage requirements for the jobs for which training is being provided. In addition to wage requirements, it is sometimes required that the employer provide health care benefits. Some states require that the people being trained are residents of the state and others require that the business has an established presence in the state. Some job training programs cap reimbursements per trainee and others cap the amount that one business can receive. There are programs that cap both the amount per trainee and the amount per business. The restrictions vary widely among states. Some of the restrictions for each state can be found in Table 1.

V. Analysis of 260E Program Awards

A. Award Counts and Amounts

The average amount of a 260E award made in the state of Iowa has been around $400 thousand, adjusting for inflation, since the inception of the program in fiscal year 1984 (see Figure 1). Figure 1 presents the total and average amount of awards in both nominal and real 2009 dollars. The highest real amount of awards was issued in FY 2005 with nearly $69.6 million approved, and FY 2008 was a close second with $69.4 million in projects approved.

Kirkwood Community College, Des Moines Area Community College, and Eastern Iowa Community College have been the most consistent in approving 260E projects since the program's inception (see Figure 2). The number of approved awards varies from year to year and is somewhat cyclical depending on economic conditions. The highest number of projects was approved in fiscal years 2005 and 2007 when 164 awards were made. After the first five years when the program was being established, the lowest number of awards was approved in FY 1992, when only 65 awards were made.

The dollar amount of 260E awards made each year has continued to grow over time (see Figure 3). As with the number of awards, the amount also appears to be cyclical, although it is slightly less evident when the data is presented in nominal terms. With the exception of FY 2006, there has been a dramatic jump in the amount of 260E awards approved in each of the last five years, which likely reflects growth in the state economy. Because the 260E program is demand driven, declines in job creation follow recessionary periods which results in a decline of 260E activity. It is estimated that $38.6 million in 260E bonds will be issued in FY 2010, a 24 percent decline from FY 2009. There was also a 22 percent decline seen in bond issuance from FY 2008 to FY 2009.

The average real award approved over the lifetime of the 260E program is just over $400 thousand (see Figure 4). Indian Hills Community College had the largest average award at nearly $603,400. Four other community colleges also have average awards above the statewide average. Iowa Lakes Community College had the smallest average award amount at only $196,900.

---

[2] It should be noted that the per capita spending information is based on a single year of data from a national study. Information provided by Kirkwood Community College indicates that since the inception of the 260E program, $137 million in bonds have been issued which has supported the creation of 26 thousand new jobs. After interest expense is added to the bonds the amount of the bonds totals just over $171 million, which results in an expenditure of $6,586 per new employee. An analysis completed by Des Moines Area Community College indicates a similar expenditure per new employee.

B. Awards by Firm Employment

For fiscal years 1996 through 2009, over 60 percent of 260E awards were issued to small or medium-sized firms (see Table 2). Firm size is measured as the average quarterly number of employees reported to Iowa Workforce Development (IWD) during the 1996 to 2008 period.[3] Based on that measure, firms are categorized as micro, less than 10 employees; small, 10 to 99; medium, 100 to 499; or large, 500 or more. 22.5 percent of the firms with 260E awards, accounting for 22.3 percent of the total awards issued, were unable to be matched to employment counts.

While large firms only accounted for 9.1 percent of the number of 260E awards, the amount of awards issued to large firms accounted for over 22 percent. The average award for large firms ($869 thousand) was also significantly larger than the average award for smaller firms, between $200 thousand and $400 thousand.

C. Awards by Industry and Concentration

To provide information on what industries participate in the 260E program, award data were matched to North American Industry Classification System (NAICS) codes using IWD data. Over 92 percent of firms in the panel were matched to a 3-digit NAICS code and ranked by their total value of 260E awards over the 1984 to 2009 period. Nearly half of the firms with 260E awards have been in the manufacturing sector. A significant number of awards have also been made to firms in the financial and insurance sector (see Table 3).

The top five industries, accounting for nearly 40 percent of awards, included food manufacturing, machinery manufacturing, insurance carriers, transportation equipment manufacturing, and fabricated metal manufacturing. Primary metal manufacturing, credit intermediation, and insurance carriers had the three highest average award amounts per contract among the top twenty industries with the average awards being $740 thousand, $771 thousand, and $773 thousand, respectively. Insurance carriers and credit intermediation firms also had the highest total average award amounts per firm at $2.3 million and $2.7 million, respectively.

This analysis was also completed for only the period covering fiscal years 1996 through 2009 to see if the distribution of industries has changed over time (see Table 4). While industry rankings may have changed, only one industry (paper manufacturing) was replaced with a different industry (miscellaneous manufacturing). In the top five industries, fabricated metal product manufacturing was replaced by professional, scientific, and technical services and those five industries now accounted for just over 41 percent of all awards.

The top ten largest awards average about $15.6 million and account for nearly 44 percent of the dollars awarded each year (see Table 5). The concentration of awards was much higher during the start of the program. Therefore, in order to prevent the initial years of the 260E program from skewing the concentration data, only the last twenty years of awards was used to calculate the averages.

VI. Analysis of 260E Program Claims

A. Claim Counts and Amounts

Information about 260E withholding tax credit claims did not become available until the March 2005 quarter, which was the first quarter of IDR's E-File and Pay system. This system allows taxpayers to

---

[3] The IWD data are quarterly files that include monthly employment counts covering calendar years 1996 through 2008. First, monthly employee counts are averaged within quarter for each year. Then, the average quarterly count of employees in each year is computed.

file quarterly withholding tax returns on a secure Internet web site. If the taxpayer has amended a return, only the amended return is included.

The total amount of 260E credit claims has been increasing each tax year since 2005 (see Table 6). The increase occurred for both regular and Supplemental Job Credit from Withholding tax claims.[4] At this point, it appears that the amount of income tax credits has decreased since the 2007 tax year, but the 2008 tax year data is preliminary because all corporate income tax returns have not yet been filed or reviewed. For tax year 2005, the income tax credit claims only include claims made against corporate income tax. With the implementation of the IA 148 Tax Credits Schedule, which provides tax credit claim details, information on individual income tax credit claims is first available in tax year 2006.

As expected, claims by fiscal year follow a similar increasing trend as the claims by tax year (see Table 7). Currently it appears that there is a slight decrease in both withholding and income tax credit claims in fiscal year 2009. Because most withholding tax returns have been filed, the decline in withholding tax credit claims will likely persist. Whereas there are corporate and individual income tax credit claims that have not yet been reviewed and are therefore not included the data provided which may result in an increase in income tax credit claims.

B. Claims by Firm Employment

For fiscal years 2006 through 2009, over 88 percent of 260E claims made against withholding taxes were made by small or medium-sized firms (see Table 8). Firm size is measured the same as it was in the analysis of the 260E award data. Only 0.2 percent of the firms with 260E claims, which accounts for 0.1 percent of the total claims made, were unable to be matched to employment counts.

While large firms accounted for only 5.9 percent of the number of 260E claims, the amount of claims made by large firms accounted for over 30 percent. The average claim for large firms ($101 thousand) was also significantly larger than the average claim for smaller firms, which was $2 thousand for micro firms, $8 thousand for small firms and $28 thousand for medium-sized firms.

C. Claims by Industry

As expected, the top three industries that received 260E awards (see Tables 3 & 4) were also the same three industries that claimed credits against withholding taxes (see Table 9). Claim data were matched to NAICS codes using IWD data. All of the firms in the panel were matched to a 3-digit NAICS code and ranked by their total value of 260E claims over fiscal years 2006 through 2009.

The top five industries, accounting for over 45 percent of withholding tax claims, included insurance carriers, food manufacturing, machinery manufacturing, credit intermediation, and transportation equipment manufacturing. Credit intermediation, insurance carriers, and internet service providers had the three highest average claim amounts among the top twenty industries with average quarterly claims of $87 thousand for credit intermediation and $57 thousand for insurance carriers and internet service providers. Credit intermediation and wood product manufacturing firms had the highest average total claims per firm, over the fiscal year 2006 through 2009 period, at $952 thousand and $625 thousand, respectively.

VII. Conclusion

The first part of the 260E Program evaluation study provides useful information about the history of job training programs and a summary of 260E awards and claims data. Also, information is provided regarding other states' job training programs and how Iowa compares to other states. Part 2 of the

[4] The Supplemental Job Credit from Withholding is an additional credit that can be awarded to employers under other DED programs, such as Enterprise Zone or High Quality Jobs Programs.

study will provide economic and fiscal analyses of the 260E program. Major issues that will be addressed in the second part of the study include:

- To what extent participation in the 260E program explains differences among Iowa and other states in job creation rates for industries that have taken most advantage of the program.
- To what extent the 260E program has impacted the industries that have most taken advantage of the training opportunities offered under the program.
- The extent to which there are employment growth, productivity, and pay differences between Iowa firms that have and have not taken advantage of the 260E program.
- The long-term impact of the 260E program on state taxes paid by firms and the employees of firms that have participated in the program.
- Changes in the income levels of individuals that have received training under the 260E program.
- The retention of individuals that have received training under the 260E program within Iowa.

References

Bartik, Timothy, "Who Benefits from State and Local Economic Development Policy?," 1991, W.E. Upjohn Institute, Kalamazoo, MI.

Bishop, John H. and Mark Montgomery, "Does the Targeted Jobs Tax Credit Create Jobs at Subsidized Firms?," 1993, Industrial Relations 32, 289-306.

Bureau of Labor Statistics (BLS), "Employees on Nonfarm Payrolls by Major Industry Sector, 1959 to date," accessed at ftp://ftp.bls.gov/pub/suppl/empsit.ceseeb1.txt on September 10, 2009.

Congressional Budget Office (CBO) and National Commission for Employment Policy (NCEP), "CETA Training Programs: Do They Work For Adults?," July 1982, accessed at http://www.cbo.gov/ftpdocs/50xx/doc5079/doc25-Entire.pdf on September 3, 2009.

Duscha, Steve, and Wanda Lee Graves, "The Employer as the Client: State-Financed Customized Training," 2006.

Gabe, Todd M. and David Kraybill, "Tax Incentive Requests and Offers in a State Economic Development Program," 1998, Review of Regional Studies 28, 1-14.

Harris, Mark, "Individual-Level Labor Market Outcomes for Wyoming Workforce Development Training Fund Participants," 2005, Wyoming Department of Workforce Services.

Heinrich, Carolyn J., Peter R. Mueser, and Kenneth R. Troske, "Workforce Investment Act Non-Experimental Net Impact Evaluation: Final Report," December 2008, accessed at http://wdr.doleta.gov/research/FullText_Documents/Workforce%20Investment%20Act%20Non-Experimental%20Net%20Impact%20Evaluation%20-%20Final%20Report.pdf on September 3, 2009.

Iowa Department of Economic Development (DED), "Employee Training Programs," accessed at http://www.iowalifechanging.com/business/employee_training.aspx?id=1 on September 10, 2009.

Moore, Richard W., Daniel R. Blake, G. Michael Phillips, and Daniel McConaughy, "Training That Works: Lessons from California's Employment Training Panel Program", 2003, W.E. Upjohn Institute for Employment Research

O'Leary, Christopher J., Robert A. Straits, and Stephen A. Wandner (eds.), "Job Training Policy in the United States," 2004, accessed at http://www.upjohn.org/publications/titles/jtp.html on September 2, 2009.

Pope, Ralph A. and James L. Kuhle, "Tax credits for job creation and job retention in the California economy," 1996, Public Finance Quarterly 24, 192-215.

Prince, Heath ed., "General Obligation Bonds as a Financing Mechanism for Regional Economic and Workforce Development Authorities: Lessons from Three States," 2006, Jobs for the Future.

Prince, Heath ed., "Strategies for Financing Workforce Intermediaries: Working Papers," 2007, National Fund for Workforce Solutions.

Roy, Arun S. and Ging Wong, "Direct Job Creation Programs: Evaluation Lessons," 1998, Human Resources Development Canada, Working paper.

Iowa's Job Training Program Evaluation Study

Tables and Figures

Table 1. Summary of Customized Job Training Programs by State

State	Program	Enactment	Administrative Agency	Funding Source	Restrictions	Affected Workers	Per Capita Spending 2005-2006
Alabama	Alabama Industrial Development Training	1971	Community College System	General Fund & Bonds	To be eligible for new hire training companies must pay at least $8 per hour and train for 10 or more new jobs. Retail jobs are excluded.	Incumbent & New	$3.65
Alaska	State Training and Employment Program	1989	Department of Labor and Workforce Development	UI Offset Tax	Must be an Alaska resident to receive training.	Incumbent & New	$19.32
Arizona	Arizona Job Training Program*	2001	Department of Commerce	UI Offset Tax	Employers must match at least 25 percent of reimbursement for new employees and 50 percent for incumbent employees.	Incumbent & New	$4.56
Arkansas	Business and Industry Training Program	1969	Department of Economic Development	General Fund	Reimbursement per trainee is calculated based on a formula including: hourly wage, industry condition, whether the company is a startup or an existing company, and the location within the state.	New	$2.05
	Existing Workforce Training Program	1995	Department of Economic Development	General Fund	Trainees must be employed for at least 6 months with an eligible company to be trained.	Incumbent	
California	Employment Training Panel	1983	Employment Development Department	UI Offset Tax	Eligibility is generally limited to companies with annual turnover less than 20 percent.	Incumbent & New	$3.54
Colorado	Colorado FIRST and Existing Industry Customized Training	1984	Office of Economic Development & International Trade and Community College System	General Fund	Reimbursement per trainee is capped at $800. Trainees must earn at least $7 per hour in rural areas and $8.50 per hour in urban areas.	Incumbent & New	$1.21

*Program is currently on hold until further notice due to budgetary issues.

Table 1 (continued). Summary of Customized Job Training Programs by State

State	Program	Enactment	Administrative Agency	Funding Source	Restrictions	Affected Workers	Per Capita Spending 2005-2006
Delaware	Blue Collar Program	1984	Department of Labor	UI Offset Tax	Non-profits, retail, and health care are excluded. Trainees must earn $7 an hour plus benefits.	Incumbent	$2.75
Florida	Quick Response Training	1993	Workforce Florida, Inc.	General Fund	Retailers, utilities, mining, and extraction companies are excluded.	New	$0.65
Georgia	Quick Start	1967	Techincal College System of Georgia	General Fund	Retailers and health care are excluded.	Incumbent (since 2002) & New	$5.27
	Retraining Tax Credit	1994		Tax Credit	Credit is equal to $250 per employee, per approved training program. Credits cannot exceed $1,250 per employee per year. Credit is nonrefundable, but can be carried forward 10 years.	Incumbent	
Hawaii	Employment and Training Fund*	1991	Department of Labor and Industrial Relations	UI Offset Tax	Employees must be referred by their employer and the training must be related to the employee's present job.	Incumbent	$2.02
Idaho	Workforce Development Training Fund	1996	Department of Labor	UI Offset Tax	Jobs must pay a starting wage of at least $12 per hour and provide employer assisted medical benefits.	Incumbent & New	$6.32
Illinois	Employer Training Investment Program	2005	Department of Commerce and Economic Opportunity	General Fund	Retail is excluded and the program does not fund sales training.	Incumbent & New	$2.97
Indiana	Skills Enhancement Fund	1996	Indiana Economic Development Corporation	General Fund	Business must commit to contiuning its operation at the location where the training assistance is provided for at least five years after the training grant is completed and closed.	Incumbent	$5.11

*Program is currently on hold until further notice due to budgetary issues.

Table 1 (continued). Summary of Customized Job Training Programs by State

State	Program	Enactment	Administrative Agency	Funding Source	Restrictions	Affected Workers	Per Capita Spending 2005-2006
Iowa	Iowa New Jobs Training Program	1983	Department of Economic Development and Community College System	Bonds/ Withholding Diversion	Only manufacturers and service businesses with customers outside Iowa that are creating new jobs are eligible.	Incumbent & New	$42.48
Kansas	Kansas Industrial Training	1973	Department of Commerce	Lottery Funds	Jobs must pay at least $8.50 per hour in urban counties and $8.00 in rural counties.	New	$13.14
	Kansas Industrial Retraining	1973		Lottery Funds		Incumbent	
	Investments in Major Projects and Comprehensive Training (IMPACT)	2004		Bonds	Project must involve at least 100 new jobs or retention of at least 250 jobs.	New & Incumbent	
Kentucky	Grant-in-Aid Program	1984	Bluegrass State Skills Corporation	General Fund	Trainees generally must earn at least $8 per hour.	New & Incumbent	$3.05
	Skills Investment Tax Credit	1998		Tax Credit	Tax credit is equal to 50 percent of approved training expenses, not to exceed $500 per employee and not to exceed $100,000 per company per biennium.	Incumbent	
Louisiana	Incumbent Worker Training Program	1999	Louisiana Workforce Commission	UI Offset Tax	Employer must have been in business in the state for at least 3 years, contributing and in full compliance with state UI tax laws.	Incumbent	$21.71
	FastStart	2008	Department of Economic Development	General Fund	The program is available to manufacturing, corporate headquarters, warehouse and distribution, research and development, or any other strategic facility that commits to creating at least 15 new jobs, or any service-related operation that commits to creating at least 50 new jobs.	Incumbent & New	

Table 1 (continued). Summary of Customized Job Training Programs by State

State	Program	Enactment	Administrative Agency	Funding Source	Restrictions	Affected Workers	Per Capita Spending 2005-2006
Maine	Governor's Training Initiative	1996	Department of Labor	General Fund	Employer must provide a wage equal to or greater than 85% of the average wage for the given occupation in the labor market area and contribute at least 50% of the premium cost of employee health insurance, unless it is a small business.	Incumbent	$4.10
Maine	Maine Quality Centers Program	1994	Community College System	General Fund	A business must be adding at least 8 new full-time positions with competitive wages, benefits and a specific vocational preparation skill level. In rural areas, a project with fewer than 8 new positions may be approved.	New	$4.10
Maryland	Partnership for Workforce Quality	1989	Department of Business and Economic Development	General & Special Funds	Manufacturers and technology-related companies are targeted by the program. No pre-employment or immediate posthire training is conducted.	Incumbent	$1.47
Maryland	Maryland Industrial Training Program	1989	Department of Business and Economic Development	General & Special Funds	Commitment to create and maintain a certain number of job for a specified period must be met to prevent state from implementing a "claw-back" provision.	New	$1.47
Massachusetts	Workforce Training Fund*	1998	Executive Office of Labor and Development	UI Offset Tax	Employers must agree to a match (cash or in-kind) of at least the amount of funding sought.	Incumbent & New	$6.54

*Funding of this program has been reduced due to budgetary issues.

Table 1 (continued). Summary of Customized Job Training Programs by State

State	Program	Enactment	Administrative Agency	Funding Source	Restrictions	Affected Workers	Per Capita Spending 2005-2006
Michigan	Economic Development Job Training Program	1978	Michigan Economic Development Corporation	General Fund	Companies may receive training only for Michigan residents. Preference is given to Michigan trainers.	Incumbent & New	$2.28
Minnesota	Job Skills Partnership	1983	Department of Employment and Economic Development	General Fund	A cash or in-kind contribution from the contributing business must match program funds on at least a one-to-one ratio.	Incumbent	$2.48
Mississippi	Workforce Education Program	1995	State Board of Community and Junior Colleges	UI Offset Tax	Training includes online classes. The state also has a training tax credit of up to $2,500 per person.	Incumbent & New	$24.64
Missouri	Community College New Jobs Training Program	1991	Department of Economic Development and Community College System	Bonds	Retail business do not qualify for the program. The program is subject to "claw-back" legislation.	Incumbent & New	$11.60
	Customized Training Program	2005	Department of Elementary and Secondary Education and the Division of Workforce Development	General Fund	Only Missouri residents who are full-time, permanent employees are eligible for this program.	Incumbent	
	Job Retention Training Program	2005	Department of Economic Development and Community College System	Bonds	Requires a capital investment of at least $1 million to acquire long-term assets and business had to employ at least 100 employees for the two years prior to application.	Incumbent	
Montana	Primary Sector Workforce Training Grant	2005	Department of Commerce	General Fund	Grants are only for full-time employees and are generally capped at $5,000 per person trained. Business must provide match of $1 for every $3 in state money.	Incumbent & New	$3.05

Table 1 (continued). Summary of Customized Job Training Programs by State

State	Program	Enactment	Administrative Agency	Funding Source	Restrictions	Affected Workers	Per Capita Spending 2005-2006
Nebraska	Customized Job Training Advantage	2005	Department of Economic Development	General Fund	Incumbent worker must receive at least a 6% wage increase after training. Only full-time frontline workers qualify for training.	Incumbent & New	$9.54
	Worker Training Program	1996	Department of Labor	Interest from UI tax	All established, for-profit businesses that contribute to the State Unemployment Insurance Trust fund are eligible.	Incumbent	
Nevada	Train Employees Now	1985	Commission of Economic Development	General Fund	Business must be hiring at least 10 people for training. Trainees must be Nevada residents.	New	$0.41
New Hampshire	Job Training Fund	2007	Community College System	UI Offset Tax	Only New Hampshire residents qualify for training. Employer must match state funds.	Incumbent	Not Available
New Jersey	Competitive Customized Training Grants	1992	Department of Labor and Workforce Development	UI Offset Tax	All trainees must be employed or hired into permanent full-time employment by the participating business.	Incumbent & New	$7.04
New Mexico	Job Training Incentive Program	1972	Economic Development Department	General Fund	Trainees must be guarateed full-time employment upon successful completion of the training program.	New	$12.43
New York	Economic Development Fund	1981	Empire State Development	General Fund	Funding is available for up to 50% of approved training.	Incumbent & New	$0.41
North Carolina	Customized Training Program	2008	Community College System	General Fund	Trainees must be paid by the company for all time during training hours.	Incumbent	$2.17

Table 1 (continued). Summary of Customized Job Training Programs by State

State	Program	Enactment	Administrative Agency	Funding Source	Restrictions	Affected Workers	Per Capita Spending 2005-2006
North Dakota	Workforce 20/20	1991	Job Service of North Dakota	General Fund	The program requires a match from the business and is targeted to primary sector businesses, but not limited to those businesses.	Incumbent & New	$5.35
	New Jobs Training Program	1993	Job Service of North Dakota	Bonds	The new jobs created must pay a minimum of $10 per hour plus benefits within the first 12 months of employment.	New	
Ohio	Ohio Workforce Guarantee Program	2008	Department of Development - Workforce and Talent Division	General Fund	Business must create at least 20 jobs.	Incumbent & New	$3.17
Oklahoma	Training for Industry Program	1968	Department of Career and Technology Education	General Fund	Jobs must be full-time and include benefits.	New	$3.50
	Training for Existing Industry				The program can be used for upgrade training for the existing workforce. It can also be used for supervisory training.	Incumbent	
Pennsylvania	Customized Job Training	1982	Department of Community and Economic Development	General Fund	All trainees must be permanent full-time employees and residents of the state.	Incumbent & New	$5.27
	Guaranteed Free Training	1999	Workforce and Economic Development Network of Pennsylvania		Employees must earn at least 150% of the federal minimum wage at the start of training, excluding benefits.	Incumbent	
Rhode Island	Governor's Workforce Board	2005	Governor's Workforce Board	UI Offset Tax	There are three programs administered by this group which address economic development, workplace literacy, and incumbent worker grants.	Incumbent & New	$16.93
	Jobs Training Tax Credit	1996	Human Resource Investment Council	Tax Credit	Tax credit is equal to 50% of training expenses and limited to $5,000 per employee.	Incumbent & New	

Table 1 (continued). Summary of Customized Job Training Programs by State

State	Program	Enactment	Administrative Agency	Funding Source	Restrictions	Affected Workers	Per Capita Spending 2005-2006
South Carolina	readySC	1961	Technical College System	General Fund	Jobs must be permanent, provide a competitive wage, and the benefits package must include health insurance.	Incumbent & New	$2.76
South Dakota	Workforce Development Training Program	1993	Department of Labor and the Governor's Office of Economic Development	UI Offset Tax	Companies must pay the higher of $10.50 per hour or the 10th percentile of that job classification. Health insurance must also be provided with the company paying a portion of the premiums.	Incumbent & New	$4.44
Tennessee	FastTrack Job Training Assistance Program	2003	Department of Economic and Community Development	General Fund	Training includes both classroom and on-the-job training.	Incumbent & New	$6.27
	Tennessee Job Skills Program	1998		UI Offset Tax	At least 70% of grants must assist existing TN companies.		
Texas	Skills Development Fund	1996	Texas Workforce Commission	General Fund	Wages paid to employees who have completed training must meet or exceed the prevailing wage for the occupation in the local labor market.	Incumbent & New	$2.09
Utah	Custom Fit	1982	Utah College of Applied Technology	General Fund	Reimbursement of qualifying expenses is usually 50%.	Incumbent & New	$2.74
Vermont	Vermont Training Program	1977	Department of Economic Development	General Fund	Wages must be twice the minimum wage ($16.12), if no benefits are offered.	Incumbent & New	$5.94
Virginia	Workforce Center	1965	Virginia Workforce Center	General Fund	Jobs must pay an entry-level wage rate of at least $10 per hour.	Incumbent & New	$2.25

Table 1 (continued). Summary of Customized Job Training Programs by State

State	Program	Enactment	Administrative Agency	Funding Source	Restrictions	Affected Workers	Per Capita Spending 2005-2006
Washington	Job Skills Partnership	1983	State Board for Community and Technical Colleges	General Fund	The funding provided by the program must be matched dollar-for-dollar by the employer.	Incumbent & New	$0.53
West Virginia	Governor's Guaranteed Workforce Program	1991	Workforce West Virginia	General Fund	Grants of up to $2,000 per employee can be used for recruitment, assessment, and training for new hires or incombent workers.	Incumbent & New	$4.35
	Workforce Development Initiative	2005	West Virginia Council for Community and Technical College Education		Employer must match each dollar of state funding, some exception may be made when it is determined that the match would create a financial hardship for the employer.		
Wisconsin	Customized Labor Training	1983	Department of Commerce	General Fund	Training must not currently be available from other resources.	Incumbent & New	$1.10
	Business Employees' Skills Training (BEST)	1999			Program is for business with 25 or fewer employees or annual sales of less than $2.5 million.	Incumbent & New	
Wyoming	Workforce Development Training Fund	1997	Department of Workforce Services	General Fund & UI Fund Interest	The business is required to match 40% of approved allowable training expenses.	Incumbent & New	$9.04

Source: “The Employer as the Client: State-Financed Customized Training” by Steve Duscha and Wanda Graves, 2006. In some cases, updated information was obtained and/or verifies from State government Web sites.

Figure 1. Total and Average 260E Awards by Fiscal Year

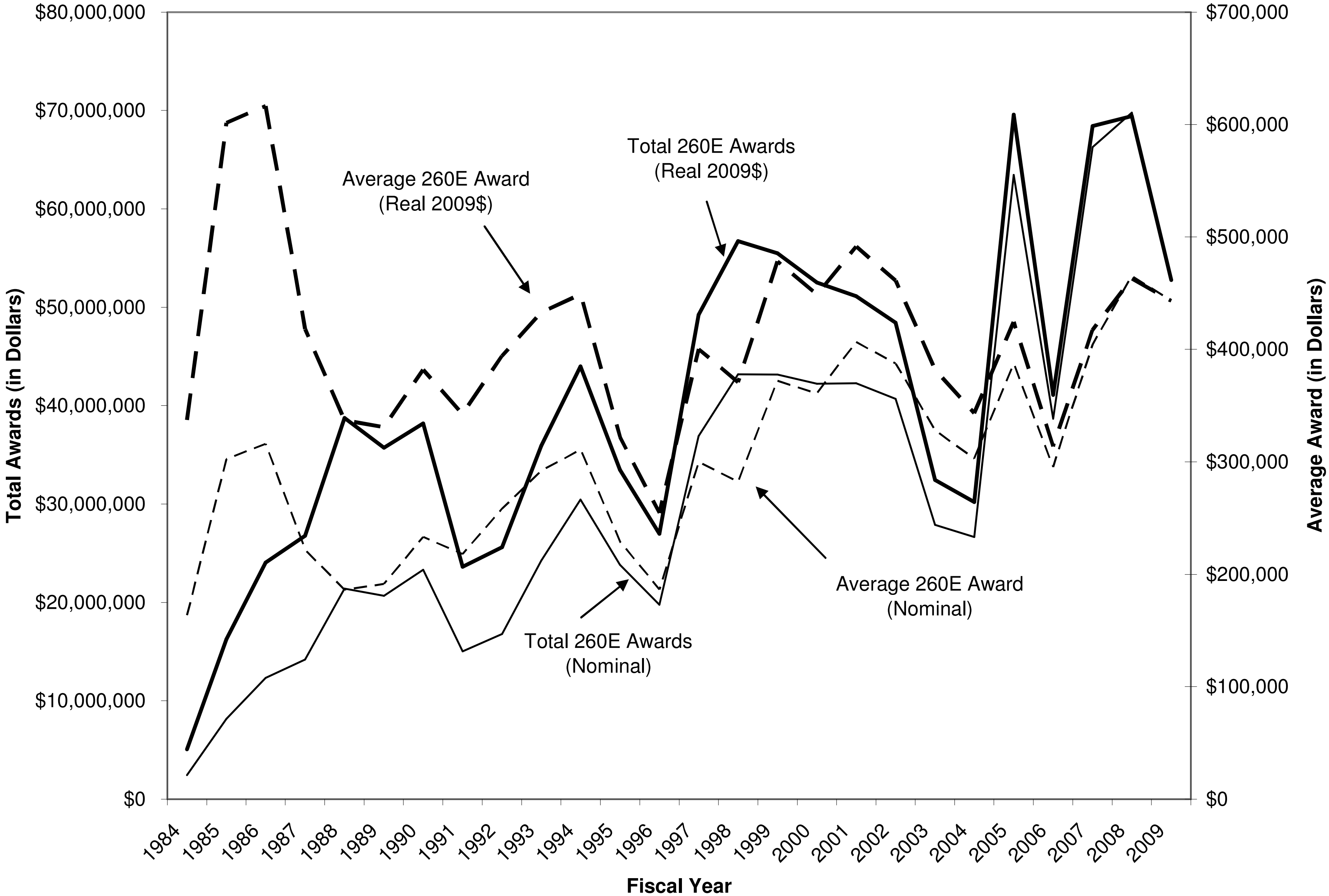

Figure 2. Number of 260E Awards by Fiscal Year and Community College

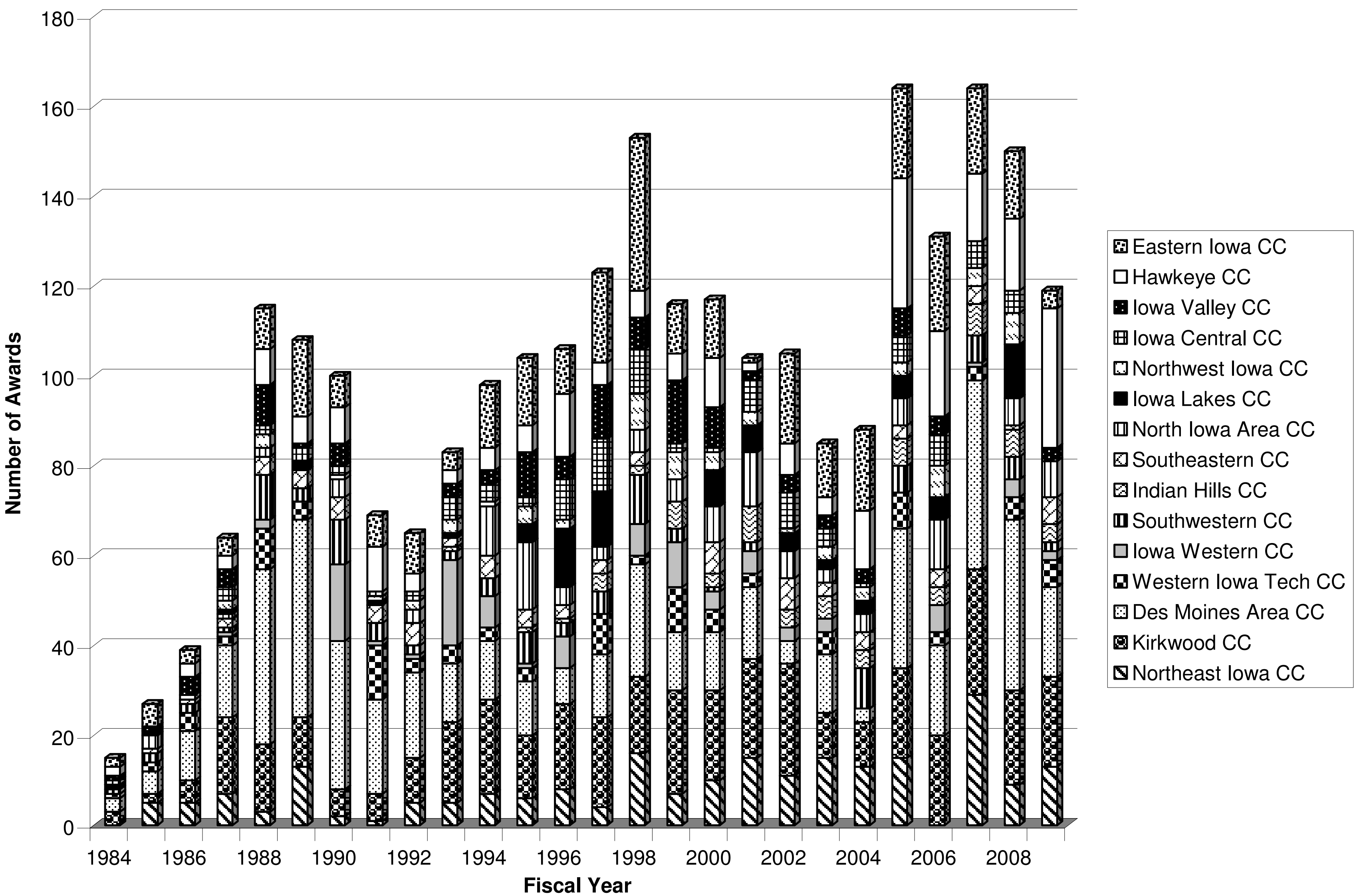

Figure 3. Amount of 260E Awards by Fiscal Year and Community College

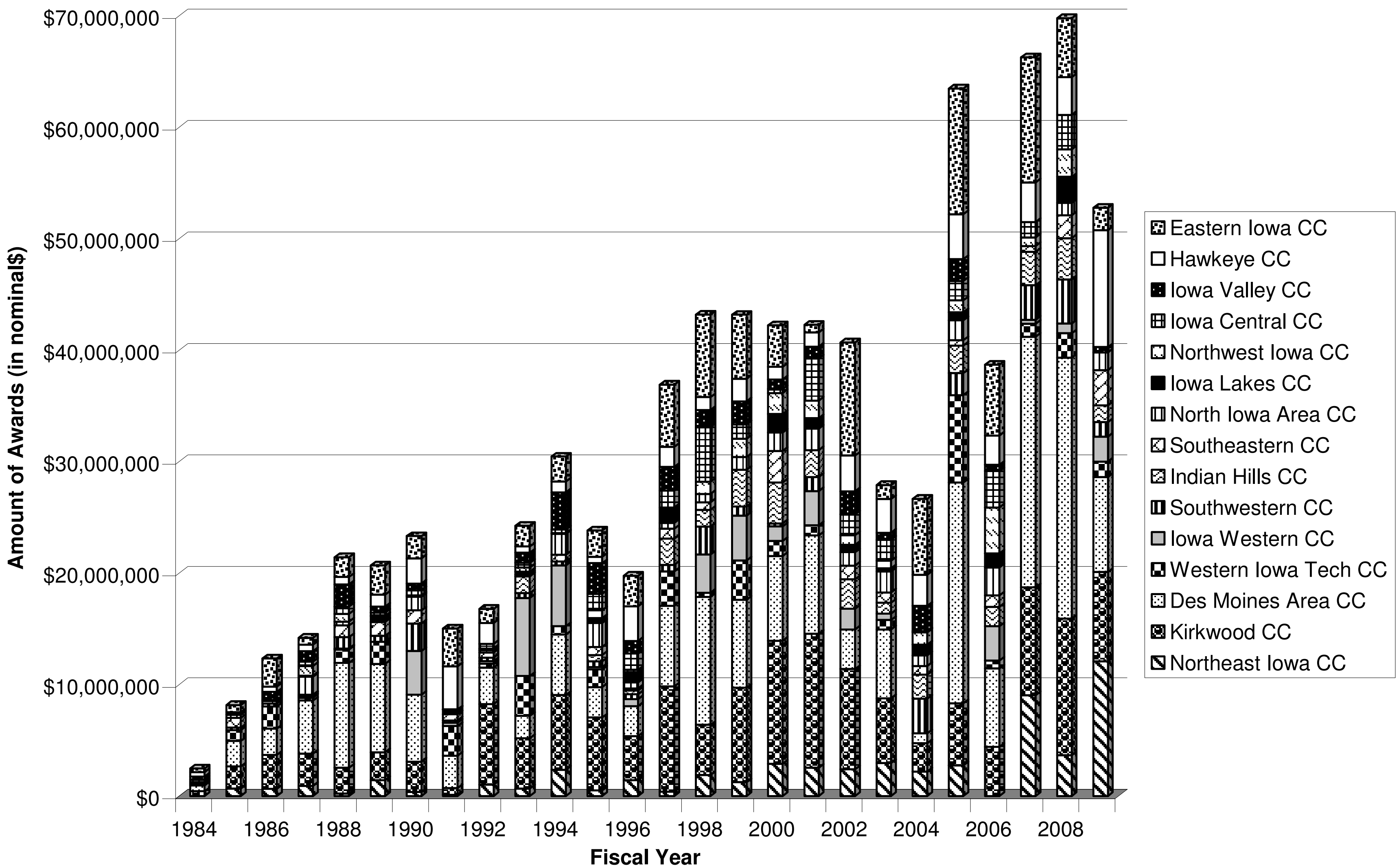

Figure 4. Average 260E Award by Community Colleges for Fiscal Years 1984 - 2009

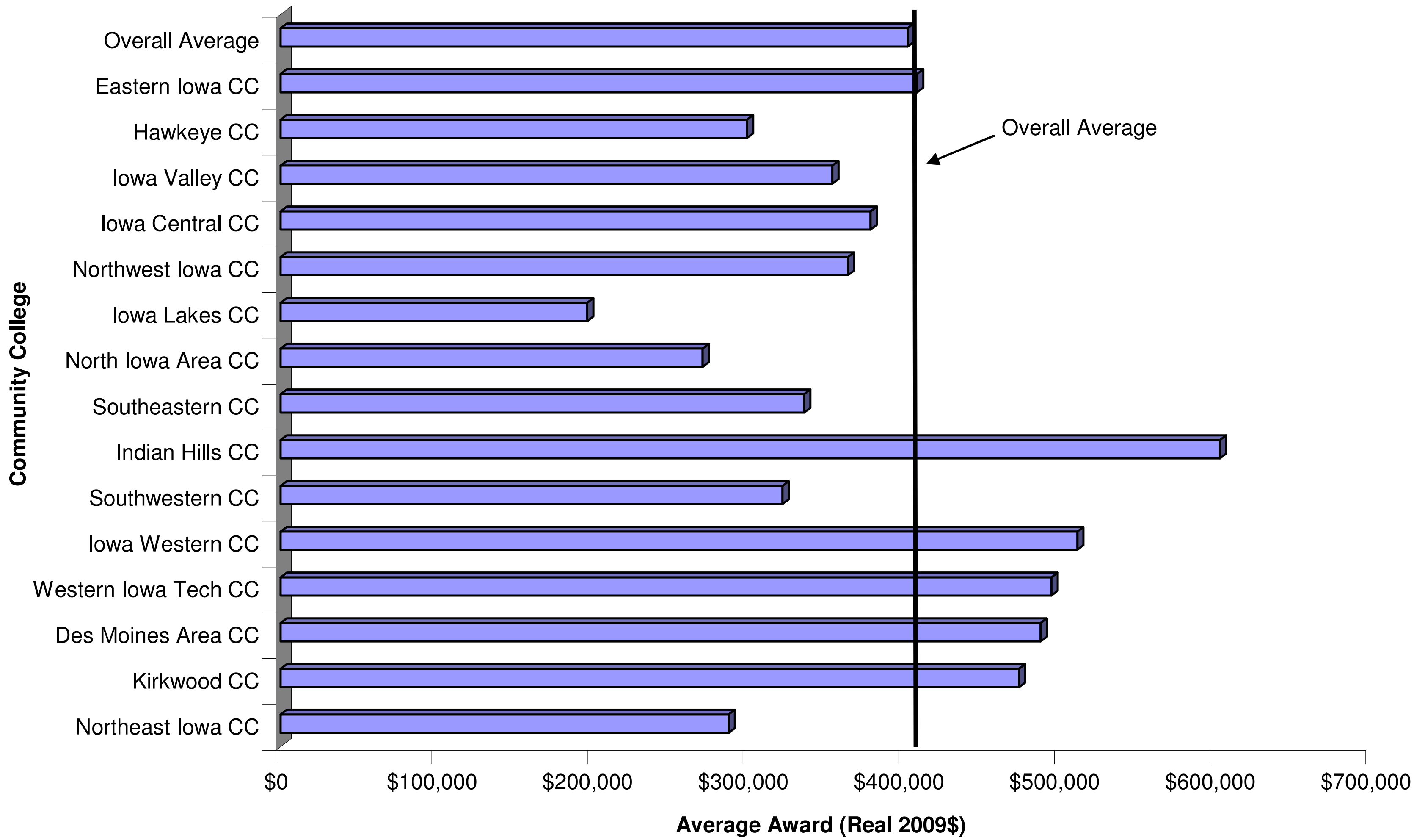

Table 2. 260E Awards by Firm Employment Size

Group by Employment Count	Number of Awards	Percent of Awards	Number of Firms	Average Awards per Firm	Total 260E Awards	Percent of Total	Average 260E Award	Average Employment per Firm
FY 1996-2009								
Micro (<10)	86	5.0%	75	1.1	$21,843,250	3.5%	$253,991	6
Small (10-99)	593	34.2%	442	1.3	$122,251,500	19.8%	$206,158	47
Medium (100-499)	507	29.2%	291	1.7	$198,046,150	32.1%	$390,624	223
Large (500+)	158	9.1%	63	2.5	$137,230,000	22.2%	$868,544	1,017
Unknown	390	22.5%	237	1.6	$137,619,000	22.3%	$352,869	--
Total	1,734		1,108		$616,989,900		$355,819	

Group by Employment Count	Number of Awards	Percent of Awards	Number of Firms	Average Awards per Firm	Total 260E Awards	Percent of Total	Average 260E Award	Average Employment per Firm
TY 2001-2005								
Micro (<10)	34	6.5%	30	1.1	$8,874,750	4.7%	$261,022	6
Small (10-99)	204	38.8%	178	1.1	$42,307,500	22.6%	$207,390	48
Medium (100-499)	150	28.5%	112	1.3	$53,934,500	28.9%	$359,563	225
Large (500+)	53	10.1%	31	1.7	$51,886,750	27.8%	$978,995	1,148
Unknown	85	16.2%	53	1.6	$29,853,000	16.0%	$351,212	--
Total	526		404		$186,856,500		$355,240	

Source: IDR Tax Credit Award Database and Iowa Workforce Development data. All claims are reported in nominal dollars.
Note: Employment data not available until 1996.

Table 3. 260E Awards by Top Twenty Industries for Fiscal Years 1984 through 2009

	Industry Classification	Number of Awards	Percent of Awards	Total 260E Awards	Average 260E Award	Number of Firms	Average Award per Firm	Average Employment per Firm[1]
1	Food Manufacturing	210	11.2%	$93,079,750	$443,237	88	$1,057,724	237
2	Machinery Manufacturing	228	10.4%	$86,091,195	$377,593	107	$804,591	216
3	Insurance Carriers and Related Activities	106	9.9%	$81,950,250	$773,116	35	$2,341,436	384
4	Transportation Equipment Manufacturing	139	4.6%	$38,314,825	$275,646	60	$638,580	226
5	Fabricated Metal Product Manufacturing	153	3.8%	$31,435,800	$205,463	87	$357,225	103
6	Primary Metal Manufacturing	38	3.4%	$28,135,000	$740,395	23	$1,223,261	263
7	Furniture and Related Product Manufacturing	58	3.3%	$27,765,200	$478,710	18	$1,542,511	299
8	Credit Intermediation and Related Activities	35	3.3%	$26,973,450	$770,670	10	$2,697,345	256
9	Chemical Manufacturing	71	3.2%	$26,299,432	$370,415	47	$559,562	56
10	Professional, Scientific, and Technical Services	99	3.0%	$25,110,250	$253,639	61	$411,643	57
11	Electrical Equipment, Appliance, and Component Manufacturing	50	2.7%	$22,477,126	$449,543	18	$1,248,729	432
12	Plastics and Rubber Products Manufacturing	112	2.7%	$22,107,954	$197,392	54	$401,963	130
13	Wood Product Manufacturing	64	2.5%	$20,339,500	$317,805	20	$1,016,975	217
14	Administrative and Support Services	86	2.3%	$19,262,000	$223,977	38	$506,895	184
15	Publishing Industries (except Internet)	43	2.2%	$18,178,500	$422,756	15	$1,211,900	238
16	Merchant Wholesalers, Durable Goods	55	2.0%	$16,763,250	$304,786	39	$429,827	70
17	Internet Service Providers, Web Search Portals, and Data Processing Services	30	1.9%	$15,989,600	$532,987	13	$1,229,969	288
18	Merchant Wholesalers, Nondurable Goods	60	1.7%	$14,181,500	$236,358	37	$383,284	100
19	Paper Manufacturing	34	1.6%	$13,647,500	$401,397	18	$758,194	197
20	Truck Transportation	49	1.6%	$13,614,400	$277,845	22	$618,836	178
	Unknown Industry	475	7.47%	$62,016,582	$130,561	269	$229,691	--

Source: IDR Tax Credit Award Database and Iowa Workforce Development data

1. Data on firm employment is not available in all cases, the average is based on cases where employment data is available.

Table 4. 260E Awards by Top Twenty Industries for Fiscal Years 1996 through 2009

	Industry Classification	Number of Awards	Percent of Awards	Total 260E Awards	Average 260E Award	Number of Firms	Average Award per Firm	Average Employment per Firm[1]
1	Machinery Manufacturing	161	11.8%	$73,078,000	$453,901	87	$839,977	216
2	Insurance Carriers and Related Activities	87	11.4%	$70,552,000	$810,943	33	$2,137,939	384
3	Food Manufacturing	142	9.3%	$57,520,000	$405,070	73	$787,945	237
4	Transportation Equipment Manufacturing	102	4.9%	$30,080,000	$294,902	51	$589,804	226
5	Professional, Scientific, and Technical Services	88	3.8%	$23,491,500	$266,949	56	$419,491	57
6	Furniture and Related Product Manufacturing	35	3.7%	$22,580,500	$645,157	13	$1,736,962	299
7	Credit Intermediation and Related Activities	18	3.7%	$22,549,250	$1,252,736	7	$3,221,321	256
8	Chemical Manufacturing	57	3.5%	$21,584,250	$378,671	43	$501,959	56
9	Electrical Equipment, Appliance, and Component Manufacturing	34	3.1%	$19,102,000	$561,824	14	$1,364,429	432
10	Fabricated Metal Product Manufacturing	112	3.0%	$18,364,500	$163,969	71	$258,655	103
11	Primary Metal Manufacturing	26	3.0%	$18,310,000	$704,231	17	$1,077,059	263
12	Wood Product Manufacturing	49	2.8%	$17,195,000	$350,918	16	$1,074,688	217
13	Administrative and Support Services	60	2.7%	$16,834,000	$280,567	31	$543,032	184
14	Publishing Industries (except Internet)	36	2.6%	$15,983,500	$443,986	13	$1,229,500	238
15	Merchant Wholesalers, Durable Goods	46	2.5%	$15,218,250	$330,832	35	$434,807	70
16	Internet Service Providers, Web Search Portals, and Data Processing Services	23	2.3%	$14,421,000	$627,000	13	$1,109,308	288
17	Plastics and Rubber Products Manufacturing	69	2.3%	$14,023,500	$203,239	40	$350,588	130
18	Miscellaneous Manufacturing	35	1.7%	$10,474,000	$299,257	21	$498,762	158
19	Truck Transportation	29	1.7%	$10,373,900	$357,721	14	$740,993	178
20	Merchant Wholesalers, Nondurable Goods	39	1.3%	$8,264,500	$211,910	30	$275,483	100
	Unknown Industry	200	4.98%	$30,738,000	$153,690	87	$349,295	--

Source: IDR Tax Credit Award Database and Iowa Workforce Development data
1. Data on firm employment is not available in all cases, the average is based on cases where employment data is available.

Table 5. Concentration of 260E Awards for Fiscal Years 1984 through 2009

Fiscal Year	Number of Awards	Total Awards	Total of Top Ten Awards	Top Ten Award Share
1984	15	$2,454,136	$2,001,136	81.54%
1985	27	$8,160,817	$6,725,500	82.41%
1986	39	$12,314,500	$9,036,600	73.38%
1987	64	$14,191,359	$8,142,000	57.37%
1988	115	$21,409,014	$10,473,500	48.92%
1989	108	$20,676,682	$8,644,500	41.81%
1990	100	$23,305,750	$9,865,000	42.33%
1991	69	$15,028,650	$7,748,000	51.55%
1992	65	$16,784,500	$10,530,500	62.74%
1993	83	$24,236,500	$12,700,000	52.40%
1994	98	$30,442,500	$16,751,000	55.03%
1995	104	$23,818,000	$10,065,000	42.26%
1996	106	$19,756,000	$8,364,000	42.34%
1997	123	$36,900,900	$13,825,000	37.47%
1998	153	$43,177,000	$14,878,000	34.46%
1999	116	$43,160,000	$15,223,000	35.27%
2000	117	$42,228,000	$19,265,500	45.62%
2001	104	$42,267,500	$15,967,000	37.78%
2002	105	$40,681,000	$16,501,000	40.56%
2003	85	$27,890,000	$14,110,500	50.59%
2004	88	$26,641,500	$11,895,000	44.65%
2005	164	$63,465,000	$29,301,000	46.17%
2006	131	$38,690,000	$12,470,500	32.23%
2007	164	$66,258,000	$29,958,000	45.21%
2008	150	$69,785,000	$23,441,250	33.59%
2009	119	$52,755,000	$25,127,750	47.63%
Average (1989-2009)	112	$36,568,928	$15,553,881	43.89%

Table 6. 260E Tax Credit Historic Claims for Tax Years 2005 through 2008

Tax Year	Regular 260E Quarterly Withholding Tax Credit Claims		Supplemental 260E Quarterly Withholding Tax Credit Claims		260E Income Tax Credit Claims		Total 260E Claims
	Count	Total	Count	Total	Count	Total	
2005 [1]	1,213	$22,444,231	101	$1,471,051	67	$5,196,359	$29,111,641
2006	1,793	$35,979,987	244	$2,660,427	1,299	$3,285,041	$41,925,455
2007	2,047	$37,129,722	506	$4,707,967	1,297	$3,510,516	$45,348,205
2008 [2]	2,025	$37,831,353	585	$5,653,544	284	$66,046	$43,550,943

Source: Iowa Department of Revenue, Withholding Tax Returns and Corporate and Individual Income Tax Returns
1. In 2005, 260E Income Tax Credits Claim information is only available for those claims taken against corporate income tax.
2. Tax year 2008 information is not yet complete as not all claims have been reviewed.

Table 7. 260E Tax Credit Historic Claims for Fiscal Years 2006 through 2009

Fiscal Year	Regular 260E Quarterly Withholding Tax Credit Claims		Supplemental 260E Quarterly Withholding Tax Credit Claims		260E Income Tax Credit Claims		Total 260E Claims
	Count	Total	Count	Total	Count	Total	
2006 [1]	1,487	$28,058,135	161	$2,022,584	31	$975,397	$31,056,116
2007	1,991	$38,002,889	383	$3,662,455	1,141	$4,382,855	$46,048,199
2008	2,052	$38,898,411	556	$5,110,785	1,313	$6,597,384	$50,606,580
2009 [2]	1,976	$36,603,813	592	$5,215,624	724	$4,341,610	$46,161,047

Source: Iowa Department of Revenue, Withholding Tax Returns and Corporate and Individual Income Tax Returns
1. In 2006, 260E Income Tax Credits Claim information is only available for those claims taken against corporate income tax.
2. Fiscal year 2009 information is not yet complete as not all claims have been reviewed.

Table 8. 260E Quarterly Withholding Tax Claims by Employment Size

Group by Employment Count	Number of Claims	Percent of Claims	Number of Firms	Average Claims per Firm	Total 260E Claims	Percent of Total	Average 260E Claim	Average Employment per Firm
FY 2006-2009								
Micro (<10)	400	5.6%	77	5.2	$980,909	0.7%	$2,452	5
Small (10-99)	4,021	56.1%	455	8.8	$33,257,166	23.2%	$8,271	46
Medium (100-499)	2,310	32.2%	276	8.4	$65,532,786	45.8%	$28,369	208
Large (500+)	426	5.9%	46	9.3	$43,230,658	30.2%	$101,480	1,071
Unknown	12	0.2%	4	3.0	$162,979	0.1%	$13,582	--
Total	7,169		858		$143,164,498		$19,970	

Source: IDR Tax Credit Award Database and Iowa Workforce Development data. All claims are reported in nominal dollars.

Table 9. 260E Quarterly Withholding Tax Claims by Top Twenty Industries for Fiscal Years 2006 through 2009

	Industry Classification	Number of Claims	Percent of Claims	Total 260E Claims	Average 260E Claim	Number of Firms	Average Claim per Firm	Average Employment per Firm[1]
1	Insurance Carriers and Related Activities	349	13.9%	$19,884,434	$56,975	37	$537,417	321
2	Food Manufacturing	522	10.8%	$15,392,171	$29,487	59	$260,884	290
3	Machinery Manufacturing	731	10.4%	$14,918,320	$20,408	74	$201,599	181
4	Credit Intermediation and Related	99	6.0%	$8,568,706	$86,553	9	$952,078	44
5	Transportation Equipment Manufacturing	459	5.3%	$7,518,452	$16,380	42	$179,011	185
6	Fabricated Metal Product Manufacturing	656	4.5%	$6,457,039	$9,843	62	$104,146	107
7	Furniture and Related Product	116	4.4%	$6,326,793	$54,541	12	$527,233	242
8	Wood Product Manufacturing	115	4.4%	$6,250,452	$54,352	10	$625,045	289
9	Chemical Manufacturing	391	3.6%	$5,167,721	$13,217	44	$117,448	78
10	Administrative and Support Services	288	3.5%	$5,064,817	$17,586	30	$168,827	169
11	Internet Service Providers, Web Search Portals, and Data Processing Services	80	3.2%	$4,556,045	$56,951	11	$414,186	299
12	Primary Metal Manufacturing	173	3.0%	$4,252,654	$24,582	16	$265,791	105
13	Professional, Scientific, and Technical Services	438	2.8%	$4,005,651	$9,145	48	$83,451	52
14	Merchant Wholesalers, Nondurable Goods	221	2.4%	$3,497,588	$15,826	29	$120,606	104
15	Electrical Equipment, Appliance, and Component Manufacturing	99	1.8%	$2,642,668	$26,694	11	$240,243	468
16	Publishing Industries (except Internet)	186	1.8%	$2,529,933	$13,602	19	$133,154	179
17	Merchant Wholesalers, Durable Goods	267	1.8%	$2,529,146	$9,472	32	$79,036	61
18	Plastics and Rubber Products Manufacturing	271	1.6%	$2,224,964	$8,210	24	$92,707	104
19	Telecommunications	61	1.5%	$2,087,571	$34,222	7	$298,224	23
20	Printing and Related Support Activities	135	1.4%	$2,014,360	$14,921	14	$143,883	117

Source: IDR Tax Credit Award Database and Iowa Workforce Development data

1. Data on firm employment is not available in all cases, the average is based on cases where employment data is available.

Appendix: Description of Other Iowa Job Training Programs

The State of Iowa currently offers six job training programs administered by the Iowa Department of Economic Development (DED). These programs, which include the Iowa New Jobs Training Program (260E), the Iowa Jobs Training Program (260F), the Accelerated Career Education Program (260G), the Workforce Training and Economic Development Fund, the Information Technology Training Program, and the Iowa Student Internship Program, offer training through a number of different methods and funding sources. This paper examined the 260E program but further information on the other five programs is provided in this appendix.

1a. Iowa Jobs Training Program – Iowa Code, Chapter 260F
The Iowa Jobs Training Program (260F) was established in order to help provide customized training for incumbent workers at existing Iowa employers. This program is annually allocated $2.7 million of the $4 million Workforce Development Fund that is distributed to the community colleges based on each community college's proportional share of state general aid in the previous fiscal year. The maximum award is $25 thousand for each project and requires the company to provide a 25 percent minimum cash match. A business site may be approved for multiple projects, but the site cannot receive more than $50 thousand in three years. Business consortiums may also apply.

The training services provided under 260F may include but are not limited to: skill assessment; adult basic education; job-related counseling; cost of training services for company, college, or contracted trainer; training-related materials, equipment, software, and supplies; rental of training facilities; training-related travel and meals; and contracted or professional services.

1b. Community College Business Network Training Program – Iowa Code, Section 260F.6A
The Community College Business Network Training Program is administered by the community colleges. This program is annually allocated $300 thousand of the $4 million Workforce Development Fund.

A project must include at least five participating businesses, located in two or more community college districts. The community colleges will also determine the training needs and availability of funds for eligible businesses.

1c. Apprenticeship Program – Iowa Code, Section 260F.6B and Section 260C.44
The Apprenticeship Program, enacted in 1990, is administered through the community colleges. This program is annually allocated $1 million of the $4 million Workforce Development Fund. Any apprenticeship established under this program must comply with requirements established by the United States Department of Labor, Bureau of Apprenticeship and Training.

The purpose of the program is to fund projects that increase the skills of workers through a combination of classroom and on-the-job training. In order to qualify for the program the jobs must be for workers in high-technology jobs or jobs utilizing the most up to date technologies that are available in the workplace. Applications for this program must be made through a local community college.

2. Accelerated Career Education Program – Chapter 260G, Iowa Code
The Accelerated Career Education Program (ACE), enacted in 2000, permits a community college to enter into an agreement with an employer or employers located within the community college's designated area to develop an accelerated career education program. The community college must file a copy of each agreement with DED. Program services offered by this program include, but are not limited to: program needs assessment and development; job task analysis; curriculum development and revision; instruction; instructional materials and supplies; computer software and

upgrades; instructional support; administrative and student services; related school-to-career training programs; skill or career interest assessment services and testing; and contracted services.

The agreement must provide information on how the program costs are going to be covered, including the type and amount of the funding sources. The source of funds may include: ACE Job Credit from Withholding based on the number of program positions agreed to by the employer; cash or in-kind contributions by the employer; tuition, student fees, or special charges fixed by the board of directors.

Funding for the ACE program was set at $3 million in fiscal years 2001 through 2003. It was increased to $4 million in fiscal year 2004. For fiscal years 2005 and beyond, the funding level was set at $6 million. DED is responsible for tracking the funding of this program and notifying the community colleges when each year's funding cap has been allocated.

Employers that sponsor ACE training positions agree to interview graduating participants for full-time positions and to give preference to program graduates. If an employer has more than four sponsored participants in the program, then the employer agrees to offer a full-time position to at least 25 percent of those participants who successfully complete the program. All participants completing the ACE program should be included in the customer tracking system implemented by the Iowa Department of Workforce Development (IWD).

The agreement must state that the wages that will be paid are no less than 200 percent of the federal poverty level for a family of two as defined by the most recently revised poverty income guidelines published by the U.S. Department of Health and Human Services. The wage level is recertified for each year in the agreement on the anniversary of the effective date of the agreement.

The agreement must also include a description of the program services that are to be provided and a schedule for the implementation of the agreement. The term of the agreement cannot exceed five years, but an agreement can be renewed. An employer may decline to satisfy certain provisions in the agreement if the employer experiences an economic downturn, which is defined as a layoff of existing employees, reduced employment levels, increased inventories, or reduced sales. The agreement must also provide for employer default procedures.

In order for a community college program to be eligible as an ACE program, it must result in the conferring of a certificate, diploma, Associate of Science degree, or Associate of Applied Science degree. The program may also qualify if it consists of not less than 540 contact hours of classroom and laboratory instruction and results in the conferring of a certificate or other recognized competency-based credential.

The amount of the withholding credits that can be claimed is determined based on the program jobs and wages established in the agreement. The amount of the credits can be up to ten percent of the gross program wages. The employer can claim this amount on quarterly withholding tax returns. Once the credit is claimed against the withholding tax, the amount should be remitted to the community college to be placed in a special fund to pay a portion of the program costs.

At the request of IDR, the employer must provide information to certify that the withholding credit is in accordance with the agreement, and any other requested information. The community college must also certify that the funds received from the employer were remitted to the special fund for program cost repayment, if requested by IDR.

3. Workforce Training and Economic Development Fund – Iowa Code, Section 260C.18A
The Iowa legislature reestablished the Grow Iowa Values Fund (GIVF), an economic development incentive package, in 2005 and committed $50.0 million from the general fund each year for ten years

to support it. $7.0 million of the $50.0 million is allocated to the community college Workforce Training and Economic Development Fund (WTEDF). An additional $2.5 million is being appropriated from the Iowa Power Fund to the WTEDF for a period of four years beginning in fiscal year 2008. An additional $2.0 million has been appropriated from the Rebuild Iowa Infrastructure Fund to the WTEDF in fiscal years 2008, 2009 and 2010. These three appropriations resulted in a total FY 2010 appropriation of $10.8 million and have been distributed to the fifteen community colleges using the community college state general aid distribution formula provided for in Section 260C.18C.

Each community college is required to adopt a two-year Workforce Training and Economic Development Fund plan outlining the community college's proposed use of the funds appropriated. An annual progress report on the plan's implementation, along with the plan, must be submitted to DED and the DED board by August 15. The two-year plan must be updated annually. The DED board has the authority to impose a series of sanctions including the ability to deny a college's future years' funding if their use of the funds is deemed to not be in conformance with the statutory requirements and the goals of the GIVF.

The annual progress reports shall provide information regarding how projects aided by the community college's Workforce Training and Economic Development Fund are meeting the goals of the GIVF and have resulted in an increase in the number of higher education graduates. Many of these performance measures will require several years of longitudinal research to answer, especially those relating to increased graduation rates, job placement, student retention and reduced student remediation.

The funds in the Workforce Training and Economic Development fund may be used to supplement and/or support the following community college programs: Accelerated Career Education Program, Iowa Jobs Training Program, Career Academy Programs (260C.18A, subsection 2, paragraph c), Career & Technical Education Programs (260C.1, subsection 2), In-service Training and Retraining Programs (260C.1, subsection 3), Job Retention Program (260F.9), Training and retraining programs for targeted industries (15.343, subsection 2, paragraph a), and operational expenses associated with vocational technical training.

Priority is to be given to programs, projects and initiatives that fall within the State's targeted industry clusters. Specifically, the funds allocated from the Iowa Power Fund are to be used for the development and expansion of energy industry areas and targeted industry areas, which are advanced manufacturing, information technology and insurance, and life sciences. The program requires that seventy percent of the total funds appropriated shall be used on projects or programs in the areas of advanced manufacturing, renewable fuels and renewable energy, information technology and insurance, and life sciences which include the areas of biotechnology, health care technology, and nursing care technology.

4. Information Technology Training Program – Iowa Code, Section 15.411
The Information Technology Training Program, created in 2009, is administered by DED. This program provides assistance to businesses engaged in the delivery of information technology services to upgrade the high-level technical skills of their existing employees. In order to be eligible, the business must be engaged in delivering information technology services to one of the following industries: biosciences, advanced manufacturing, or information technology. The employees receiving training must be primarily involved in network and systems support; programming and engineering; or assembly, installation, and repair.

The program provides awards of up to $25 thousand per company per fiscal year. For each dollar of State money the company must provide a $2 match. Other sources of money received from the State of Iowa cannot be used as a match, but federal funding is eligible to be used as a match. Training expenses that qualify for the program include: the cost of tuition; the cost of company, college, or contracted training services; training-related materials and supplies; lease or rental of training facilities; training-related travel; subcontracted services; and contracted or professional services.

Training may be provided in-state or out-of-state. Program funds cannot be used to cash flow a business or retroactively support training which has already occurred. Reimbursement of employee wages, while they are in training, is not allowed. Retail sales and health services businesses do not qualify for this program.

5. *Iowa Student Internship Program – Iowa Code, Section 15.411*
The Iowa Student Internship Program, enacted in 2007, is administered by DED. The program provides grants to small and medium sized companies in the advanced manufacturing, biosciences, and information technology industries to help support their internship programs with the goal of transitioning the student interns to full-time employment in the State upon graduation.

Eligible companies must be engaged in one of the targeted industries listed above and employ less than 500 people, with a significant portion employed within the State of Iowa. The intern must also receive a wage that is at least twice the minimum wage. The internship must be offered to students of Iowa community colleges, private colleges, or regents universities.

Eligible students must be within two years of graduation. The length of a summer internship must be at least eight weeks, with an average of no less than 30 hours per week. Semester internships must be at least 14 weeks in length and average no less than ten hours per week.