



Colorado
Legislative
Council
Staff

HB16-1301

REVISED
FISCAL NOTE

(replaces fiscal note dated March 7, 2016)

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-1087

Date: April 22, 2016

Prime Sponsor(s): Rep. Garnett
Sen. Scheffel

Bill Status: Senate Finance

Fiscal Analyst: Louis Pino (303-866-3556)

BILL TOPIC: BUSINESS INCOME TAX CREDIT OFFER APPRENTICESHIPS

Fiscal Impact Summary	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
State Revenue General Fund		<u>(\$500,000)</u> (\$500,000)	<u>(\$1 million)</u> (\$1 million)	<u>(\$1 million)</u> (\$1 million)	<u>(\$500,000)</u> (\$500,000)
State Expenditures General Fund Centrally Appropriated Costs	<u>\$85,800</u> \$78,969 \$6,831	<u>\$73,496</u> \$66,665 \$6,831	<u>\$105,134</u> \$98,303 \$6,831	<u>\$73,496</u> \$66,665 \$6,831	
TABOR Impact		(\$500,000)	(\$1 million)	Not Estimated	Not Estimated
FTE Position Change	1.0 FTE	1.0 FTE	1.0 FTE	1.0 FTE	
Appropriation Required: \$78,969 - CDLE (FY 2016-17)					
Future Year Impacts: None.					

Summary of Legislation

This **reengrossed** bill provides a state income tax credit to taxpayers that employ workers that are either preparing for or participating in a qualified residency, pre-apprenticeship or an apprenticeship program. The credit is available for tax years 2018 through 2020 and is capped at \$1 million per tax year and \$3 million in total. An employer may receive up to \$2,500 for each resident or individual in a construction industry pre-apprenticeship program and \$5,000 for each apprentice or individual in an industry apprenticeship program. The credit is nonrefundable and may be carried forward for five years. The Colorado Department of Labor and Employment (CDLE) will issue, administer, and create the application requirements and guidelines for the income tax credit certificates.

The income tax credit is available to individuals, corporations, and construction industry businesses that are doing business in the state and offering top jobs as identified by the Colorado Workforce Development Council.

Individuals and corporations qualify for the credit if they meet the following requirements:

- has a qualifying residency program or an apprenticeship program;
- is aligned with a postsecondary education or employment opportunity;
- employs a sufficient number of residency or apprenticeship case managers to monitor student participation in the residencies or apprenticeships
- provides students with training or course work that is designed to prepare students for the residency or apprenticeship program;
- implement adequate safety and supervisor safeguards for the students participating the residency or apprenticeship program; and
- retain at least one resident or apprentice.

For a construction industry business to qualify, they must have at least one employee:

- who has graduated from a construction industry pre-apprenticeship program and been accepted into a construction industry program; or
- is a registered apprentice enrolled in a construction industry apprenticeship.

A qualifying apprenticeship program must be registered with the Office of Apprenticeship in the U.S. Department of Labor, while a residency program must be meet qualifications required by the Colorado Workforce Development Council or the CDLE. For construction industry apprenticeships, the program must be registered with the Office of Apprenticeship in the U.S. Department of Labor and train individuals for careers in the construction industry. A construction industry pre-apprenticeship program must have a documented relationship with at least one apprenticeship program and meet the standards maintained by the employment and training administration of the U.S. Department of Labor.

On or before August 15, 2016, and on or before July 1 each year thereafter, the Colorado Workforce Development Council shall publish on its website a list of top jobs with the greatest regional and state demand for the income tax years commencing the January following the year the list is posted. The Council will also send the list to the CDLE.

Finally, by November 1, 2017, and on or before November 1 each year thereafter, the bill requires the CDLE to provide the Department of Revenue a report of the taxpayers who were issued a credit certificate for the preceding calendar year.

State Revenue

This bill will reduce General Fund revenue by \$500,000 in FY 2017-18, \$1 million in FY 2018-19, \$1 million in FY 2019-20, and \$500,000 in FY 2020-21. The figures for FY 2017-18 and FY 2020-21 represent a half year impact since the credit is available beginning in tax year 2018 and expires after tax year 2020.

It is uncertain how many tax credit certificates will be issued by the CDLE. However, the fiscal note assumes that the department will issue the maximum \$1 million allowed for each tax year the credit is available. This could equate to 200 apprentices at \$5,000 each or 400 pre-apprentices at \$2,500 each. In 2015, approximately 2,500 individuals in Colorado entered an apprenticeship program, joining almost 5,000 current participants.

TABOR Impact

This bill reduces state revenue to the General Fund, which will reduce the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund. Since the bill reduces both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money available for the General Fund budget in the future during years the state does not collect money above the TABOR limit.

State Expenditures

This bill will **increase state General Fund expenditures by \$85,800 and 1.0 FTE in FY 2016-17 and by \$73,496 and 1.0 FTE in FY 2017-18, and \$105,135 in FY 2018-19**. Costs include personal services, operating expenses, legal services, and programming costs, as summarized in Table 1.

Table 1. Expenditures Under HB16-1301			
Cost Components	FY 2016-17	FY 2017-18	FY 2018-19
Personal Services	\$65,715	\$65,715	\$65,715
FTE	1.0 FTE	1.0 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	\$5,653	\$950	\$950
Legal Services	\$7,601		
Programming Costs			\$31,638
Centrally Appropriated Costs*	\$6,831	\$6,831	\$6,831
TOTAL	\$85,800	\$73,496	\$105,134

* Centrally appropriated costs are not included in the bill's appropriation.

Colorado Department of Labor and Employment. The CDLE will require 1.0 FTE to administer the program. The FTE will develop policies and procedures for operating the program and provide technical assistance to employers. The FTE will also be responsible for reviewing applications and issuing the income tax credit certificate. The department will work the Attorney General's office to promulgate the rules for the administration and issuance of the credit certificates, and to provide information to the Department of Revenue each year.

Department of Revenue: This bill requires GenTax programming and reconfiguring of the Fairfax imaging system to insert an additional line to capture the credit value on the various schedules for each of the four income tax types (individual, corporate, partnership, fiduciary). The department will incur one-time programming costs of \$23,000 in FY 2018-19 to modify the GenTax system estimated at \$200 per hour for 115 hours. These computer changes will incur programming testing costs to ensure the system is functioning properly. The DOR's GenTax testing section will require \$3,838 in FY 2018-19. Finally, Fairfax programming requires changes to four state tax forms (104CR, 112CR, DR 105, and 106CR) at \$1,200 each (\$4,800 total), which will be reappropriated to the Department of Personnel and Administration.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2 . Centrally Appropriated Costs Under HB16-1301		
Cost Components	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$854	\$854
Supplemental Employee Retirement Payments	\$5,977	\$5,977
TOTAL	\$6,831	\$6,831

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

In FY 2016-17, the bill requires and includes an appropriation of \$78,969 to the CDLE from General Fund to administer the program. The bill also requires an allocation of 1.0 FTE. to the CDLE.

State and Local Government Contacts

OEDIT Information Technology Labor Revenue