FISCAL NOTE

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

Drafting Number: LLS 16-1087	**Date:** March 7, 2016
Prime Sponsor(s): Rep. Garnett	**Bill Status:** House Finance
Sen. Scheffel	**Fiscal Analyst:** Louis Pino (303-866-3556)

BILL TOPIC: BUSINESS INCOME TAX CREDIT OFFER APPRENTICESHIPS

Fiscal Impact Summary	FY 2016-17	FY 2017-18	FY2018-19	FY 2019-20	FY 2020-21
State Revenue		**($500,000)**	**($1 million)**	**($1 million)**	**($500,000)**
General Fund		($500,000)	($1 million)	($1 million)	($500,000)
State Expenditures	**$85,800**	**$73,496**	**$105,134**	**$73,496**	
General Fund	$78,969	$66,665	$98,303	$66,665	
Centrally Appropriated Costs	$6,831	$6,831	$6,831	$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 bill provides a state income tax credit to taxpayers that employ workers that are either preparing for or participating in a qualified 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 pre-apprentice and $5,000 for each apprentice. 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:

• Have a qualifying pre-apprenticeship program or an apprenticeship program;
• Employ an apprenticeship program case manger to monitor student participation;

- Provide students with training or course work that is designed to prepare students for an apprenticeship program;
- Implement adequate safety and supervisor safeguards for the students participating in an apprenticeship program; and
- retain at least one pre-apprentice 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 pre-apprenticeship program must be meet qualifications required 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.

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.

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 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.

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 CDLE will require an appropriation of $78,969 General Fund to administer the program. The CDLE will also require an allocation of 1.0 FTE.

State and Local Government Contacts

OEDIT   Information Technology   Labor   Revenue