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Final Fiscal Note

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Prime Sponsors: Rep. Willford; Weinberg Bill Status: Signed into Law
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Bill Topic: FINANCIAL INCENTIVES EXPAND APPRENTICESHIP PROGRAMS

Summary of Fiscal Impact: [X] State Revenue [X] State Transfer [] Local Government
[X] State Expenditure [X] TABOR Refund [] Statutory Public Entity

The bill creates a state income tax credit, repeals another, and creates two grant programs in the Department of Labor and Employment to support apprenticeships. It creates two one-time transfers, decreases state revenue, and increases state revenue through FY 2034-35.

Appropriation Summary: For FY 2024-25, the bill requires and includes an appropriation of \$1.4 million to the Department of Labor and Employment.

Fiscal Note Status: The final fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 24-1439

Table with 5 columns: Category, Fund Type, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue, Expenditures, Transfers, and Other Budget Impacts.

1 Cash fund expenditures are assumed to occur evenly over three years. See State Expenditures section for more detail.

Summary of Legislation

The bill creates a state income tax credit, repeals another, and creates two grant programs in the Department of Labor and Employment (CDLE) to support apprenticeships.

Apprenticeship tax credit. The bill creates a state income tax credit for a taxpayer operating in a new and emerging industry and who has registered an apprenticeship program and received a certificate from the State Apprenticeship Agency (SAA) in CDLE, or is an employer registered in the Colorado State Apprenticeship Resource Directory.

The credit is equal to \$6,300 per apprentice that has worked at least six months for the taxpayer. The taxpayer may claim an additional \$1,050 per apprentice for each additional month of employment, up to \$12,600 per income tax year. The taxpayer may not claim more than ten apprentices per income tax year and cannot claim the same apprentice for more than two consecutive years

The state credit is available for income tax years 2025 through 2034 and is refundable, meaning if the taxpayer's state tax liability is less than the amount of the credit allowed, the remaining amount is refunded to the taxpayer.

The credit is administered by the SAA, and the amount of credits they can issue to qualified taxpayers is capped at \$15.0 million per calendar year. The SAA is required to maintain a database to evaluate the effectiveness of the income tax credit and share the information with the state auditor for their required evaluations of state tax expenditures.

If the amount of requested credits equals or exceeds annual cap, the SAA must notify all taxpayers applying for the credit that the limit has been met and will be notified if additional credits become available. Pending applications will remain in the queue for up to years and stay in the order received.

Finally, if the taxpayer has claimed the apprentice for the Colorado Job Growth Incentive Tax Credit, Enterprise Zone Business Employees Credit, Rural Jumpstart Zone New Business Income Credit and/or the Rural Jumpstart Zone New Hire Income Tax Credit, they may not claim the apprentice for the apprenticeship tax credit.

Repeal of school-to-career tax credit. The bill repeals state income tax credit for qualified investments made in a qualified school-to-career program beginning in tax year 2025.

Scale-Up Grant Program. The Scale-Up Grant Program is created in CDLE to award funding to new or expanding registered apprenticeship programs through FY 2026-27. The newly created Scale-Up Grant Fund receives a \$2.0 million transfer from the General Fund in FY 2024-25 for this purpose, and is annually appropriated to the CDLE.

Qualified Apprenticeship Intermediary Grant Program. The Qualified Apprenticeship Intermediary Grant Program is created in CDLE to award funding to qualified apprenticeship intermediaries that connect employers or apprenticeship program participants to registered apprenticeship programs or convene stakeholders to develop registered apprenticeship

programs. The newly created Qualified Apprenticeship Intermediary Grant Fund receives a \$2.0 million transfer from the General Fund in FY 2024-25 for this purpose, and is annually appropriated to the CDLE.

Reporting. For each grant program, the CDLE is required to collect and report certain data to the General Assembly.

Assumptions

Beginning in tax year 2025, the fiscal note assumes the \$15 million in annual apprenticeship tax credits will be fully utilized each year the credit is available. Data from the U.S. Department of Labor's Registered Apprenticeship Partners Information Database System (RAPIDS) estimates 3,600 apprentices were working in a new and emerging industry and registered in a Colorado Registered Apprenticeship Program (RAP) in 2023, a 33.6 percent increase from the prior year, after growing by 51.2 percent from 2021 to 2022. Since 2021, the number of new apprentices who began an apprenticeship and are registered in RAPIDS has increased by 31.6 percent.

State Revenue

Based on the assumptions above, the bill is expected to decrease General Fund revenue by \$7.5 million in the FY 2024-25 (half-year impact), \$15.0 million in FY 2025-26, by similar amounts through FY 2033-34, with a half-year impact in FY 2034-35 when the credit is set to end. The bill reduces income tax revenue, which is subject to TABOR. To the extent fewer employers apply or qualify for the credit, the state revenue decrease will be less than estimated in Table 1.

By repealing the school-to-career tax credit, state revenue is expected to minimally increase. Since 2017, on average, 31 taxpayers have claimed the credit for almost \$30,000 per tax year. In tax year, 2021, the latest data available, eight taxpayers claimed the credit for a total of \$5,311.

The bill may also increase revenue from gifts, grants, and donations, which have not been identified as of writing. If received, these funds are not subject to TABOR.

State Transfers

In FY 2024-25, the bill transfers a total of \$4.0 million from the General Fund as follows:

- \$2.0 million to the Scale-Up Grant Fund; and
- \$2.0 million to the Qualified Apprenticeship Intermediary Grant Fund.

Any funds remaining at the end of FY 2026-27 are transferred back to the General Fund.

State Expenditures

The bill increases state expenditures in the CDLE and the DOR by about \$1.5 million per year from FY 2024-25 through FY 2026-27, paid from the General Fund and the newly created cash funds. From FY 2027-28 through FY 2035-36, the bill increases General Fund expenditures by \$85,000 per year. Expenditures are shown in Table 2 and detailed below.

**Table 2
Expenditures Under HB 24-1439**

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Department of Labor and Employment ¹				
Personal Services	\$236,337	\$236,337	\$236,337	\$50,676
Operating Expenses	\$4,224	\$4,224	\$4,224	\$1,024
Capital Outlay Costs	\$20,010	-	-	-
Computer Programming	\$44,400	-	-	-
Software Licenses	\$12,240	\$12,240	\$12,240	\$1,530
Grant Programs	\$1,119,637	\$1,136,312	\$1,136,312	-
Centrally Appropriated Costs ²	\$60,774	\$60,774	\$60,774	\$14,113
FTE – Personal Services	3.3 FTE	3.3 FTE	3.3 FTE	0.8 FTE
CDLE Subtotal	\$1,497,622	\$1,449,887	\$1,449,887	\$69,893
Department of Revenue				
GenTax Programming and Testing	-	\$38,701	-	-
Office of Research and Analysis	-	\$7,392	\$7,328	\$7,328
Document Management and Tax Form	-	\$5,524	-	-
DOR Subtotal	\$0	\$51,617	\$7,328	\$7,328
Total	\$1,497,622	\$1,501,504	\$1,457,215	\$77,221
Total FTE	3.3 FTE	3.3 FTE	3.3 FTE	0.8 FTE

¹ Costs in Table 2 assume grant funding will be spent over three fiscal years, after CDLE’s administrative costs.

² Centrally appropriated costs are not included in the bill’s appropriation.

Department of Labor and Employment. The CDLE requires staff and computer programming to implement the bill.

- **Staff.** The CDLE requires 3.3 FTE from FY 2024-25 to FY 2026-27, and 0.8 FTE through FY 2035-36 to administer the grant programs and the tax credits. Grant program staff is paid from the respective cash funds, and tax credit staff is paid from the General Fund.

- **Computer programming and software licenses.** Computer programming is required in CDLE's Salesforce application to administer the tax credit, estimated at \$44,400 in FY 2024-25 only. Staff also require software licenses, totaling about \$12,00 per year for three years.
- **Grant program.** After CDLE's administrative costs, grant funding is expected at about \$1.1 million per year over three years for the two programs. Actual grant amounts and awards will be determined by CDLE.

Department of Revenue. In FY 2025-26, the bill requires expenditures of \$38,701 to program, test, and update database fields in the Department of Revenue's GenTax software system. Programming costs are estimated at \$18,540, representing 80 hours of contract programming at a rate of \$231.75 per hour. Costs for testing include \$13,825 for 395 hours of innovation, strategy, and delivery programming support at a rate of \$35 per hour, and \$6,336 for 198 hours of user acceptance testing at a rate of \$32 per hour.

Expenditures in the Office of Research and Analysis are required for changes in the related GenTax reports so that the department can access and document tax statistics related to the new policy. These costs are estimated at \$7,392, representing 231 hours for data management and reporting at \$32 per hour. The bill will also require form changes, which are made by the Department of Personnel and Administration, at a cost of \$5,524, reappropriated to that agency.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Effective Date

The bill was signed into law by the Governor and took effect on May 10, 2024.

State Appropriations

For FY 2024-25, the bill requires and includes the following appropriations to the Department of Labor and Employment:

- \$103,515 from the General Fund, and 0.8 FTE;
- \$666,666 from the Scale-Up Grant Fund, and 1.2 FTE; and
- \$666,667 from the Qualified Apprenticeship Intermediary Grant Fund, and 1.3 FTE.

State and Local Government Contacts

Information Technology
Revenue

Labor
Treasury

Law

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).