



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1878

PRINTERS NO. 2777

PRIME SPONSOR: Evankovich

COST / (SAVINGS)

FUND	FY 2013/14	FY 2014/15
General Fund	See "Fiscal Impact"	See "Fiscal Impact"

SUMMARY: Establishes the Pennsylvania Workforce Investment Strategy ("PA WInS") Program. This legislation would take effect immediately.

ANALYSIS: This legislation is a freestanding Act which creates a program within the Department of Labor & Industry (L&I) to be known as the Pennsylvania Workforce Investment Strategy Program.

Broad Program Intent: The program's stated purpose is to incentivize businesses to organize and collaborate with each other to address common personnel needs and training shortfalls.

With the assistance and oversight of L&I and the local workforce investment board (WIB), participating businesses will develop employee training programs and implement them utilizing readily-available preexisting infrastructure.

The businesses will be eligible for a tax credit to subsidize a portion of their incurred expenses for participation in the program.

Responsibilities of the Local WIB: The local WIB will have four major responsibilities:

- Identify and actively solicit eligible local businesses for participation in the program.
- Work collaboratively with participating businesses to develop and administer training programs in conformity with the Act.
- Assist participating businesses in applying for and securing a PA WInS tax credit.
- Collect quantitative and qualitative data on critical program metrics and make a biannual report to L&I.

Cooperative Workforce Investment Partnerships ("CWIPs"): Twice each year, the local WIB must make businesses in its jurisdiction aware of their ability to partner for the purpose of participating in the PA WInS program.

When businesses band together for participation in the program, they will form an entity known as a Cooperative Workforce Investment Partnership (CWIP). There is no limit to the number of CWIPs which can be formed under the jurisdiction of the local WIB, nor is there any limit to the number of businesses which can comprise a single CWIP.

Standards for Business Participation in a CWIP: Businesses forming or participating in a CWIP do not need to be linked by common industry practices, products, services, technologies, or supply chains.

Each participating business must endure similar chronic or immediate personnel needs and training shortfalls for similar classes and types of employees.

“Similar classes and types of employees” are employees who:

- Perform substantively similar essential job functions;
- Possess or require similar knowledge bases and critical skills; or
- Undergo similar physical demands.

Application Requirements, Approval Process, Powers of L&I: Businesses which band together to form a CWIP must submit an application to their local WIB on a form developed by L&I. The legislation establishes minimum information requirements.

L&I will approve an application for the formation of a CWIP if it satisfies the basic standards for program participation and satisfactorily demonstrates its ability and intention to work with the local WIB to develop and implement a comprehensive employee training program.

L&I is given the authority to disband an entire CWIP or remove a single participating business for failing to meet basic program participation standards or failing to comply with the aforementioned criteria.

A new CWIP can be formed and may replace one which has been disbanded if it satisfies the full application requirements. A participating business which is removed may reapply for inclusion in the CWIP after serving a 6-month penalty period.

L&I may establish and institute additional guidelines and procedures as necessary.

Employee Training Programs - Preliminary Meeting: Once a CWIP is officially formed, the local WIB must engage in a preliminary meeting with a representative of each participating business. Together, the parties will define and establish:

- The broad needs and critical challenges facing the business participants, including local, regional, state, national, and global industry trends.
- Infrastructure, technology, and skill needs of the participating businesses and their employees.
- Immediately available resources and services.
- Information and resources needed to address gaps in the business's understanding of their industry.
- Current barriers to economic success, regional competitiveness, innovation, long-term financial health, and industrial viability.
- Short-term and long-term personnel needs and current skill gaps amongst incumbent workers.
- Inefficiencies and inadequacies of current employee training programs, if applicable.
- Other logistical or infrastructural barriers to meeting business goals and objectives.

Employee Training Programs - Action Plan, Focus & Implementation: In consultation with and after obtaining final approval from the local WIB, participating businesses will develop an action plan for the implementation of an employee training program. The legislation establishes minimum action plan requirements.

Employee training programs must emphasize the utilization of preexisting infrastructure and must be focused on providing employees with skill-specific occupational training. No employee training program may begin before an action plan has been submitted and approved by the local WIB.

Pennsylvania Workforce Investment Strategy Tax Credit: Participating businesses will be eligible for a tax credit equal to 90% of their qualifying workforce development expenditures.

- A “qualifying workforce development expenditure” is defined as “money spent by a participating business for purposes directly attributable to the implementation and utilization of an employee training program established under this act. The term shall include money paid to a local [WIB] by a participating business for administrative costs associated with the implementation of and compliance with this act.”

A participating business seeking a PA WInS tax credit must complete and submit an application to the Department of Community and Economic Development (DCED). DCED, in conjunction with the Department of Revenue, will review applications on a first come, first served basis. DCED will allocate tax credits as follows:

- No more than \$3 million in FY 2014-2015
- No more than \$7 million in FY 2015-2016
- No more than \$10 million in FY 2016-2017
- No more than \$75,000 in tax credits to a single participating business in any fiscal year.

Upon presenting a tax credit certificate to the Department of Revenue, the business can claim a tax credit against a qualified tax liability.

Carryover, Carryback & Refund of a PA WInS Tax Credit: If a participating business cannot use the entire amount of the tax credit for the applicable taxable year, the excess may be carried over to succeeding taxable years and used in the same manner. Every time a tax credit is carried over, it will be reduced by the amount used in the immediately preceding taxable year. A single tax credit cannot be carried over for more than seven taxable years.

A tax credit shall first be used against the business's qualified tax liability for the current year before being applied against any future tax liability.

A business cannot carry back or obtain a refund for all or a portion of an unused PA WInS tax credit.

Sale or Assignment of a PA WInS Tax Credit: Upon approval by DCED, a business may sell or assign all or part of a PA WInS tax credit. Before an application is approved, DCED must find that the applying business has filed all required State tax reports and returns for all applicable taxable years and has paid the balance of all State tax due.

The purchaser or assignee of all or part of a PA WInS tax credit must immediately claim the credit in the taxable year in which the purchase/assignment is made. The purchaser or assignee may not carry forward, carry back, obtain a refund for, or sell the PA WInS tax credit.

Pass-Through Entity: If a pass-through entity has any unused PA WInS tax credit, it may elect (in writing) to transfer all or a portion of the credit to shareholders, members, or partners in proportion to the share of the entity's distributive income to which the shareholder, member, or partner is entitled but may not claim the credit for the same qualified expenditures.

Statute of Limitations for PA WInS Tax Credits: A participating business will not be entitled to apply for or utilize a PA WInS tax credit after June 30, 2018.

Interim and Annual Reports: Each local WIB participating in the program must submit a biannual report to L&I including, at minimum:

- The number of CWIPs formed
- Employee training programs implemented
- Program participation metrics
- Notable progress and outcomes for program participants
- Financial costs endured
- Additional information or analysis deemed necessary by L&I

L&I must compile the biannual reports submitted by the local WIBs and, once each year; submit a final report to the Governor, Auditor General, Chairmen and Minority Chairmen of the Senate and House Appropriations and Labor & Industry Committees.

FISCAL IMPACT: The legislation would result in the loss of no more than \$3 million in 2014-15 if all the available tax credits were utilized during that time frame. There will be no credits available in 2013-14.

According to the Department of Labor and Industry, if enacted, the legislation is likely to cost no more than \$100,000 annually for the potential hiring of new personnel and/or retraining of existing staff to administer the program, develop program materials and to compile and maintain data to meet reporting requirements.

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House Appropriations Committee (R)

DATE: January 13, 2014

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.