



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 725

PRINTERS NO. 843

PRIME SPONSOR: Mackenzie

### COST / (SAVINGS)

FUND	FY 2015/16	FY 2016/17
General Fund	See "Fiscal Impact"	See "Fiscal Impact"
Career Bound Restricted Account	See "Fiscal Impact"	See "Fiscal Impact"

**SUMMARY:** Establishes the CareerBound Program. This legislation would take effect immediately.

**ANALYSIS:** This legislation establishes a pilot education/workforce development program known as CareerBound. The program will be managed by the Department of Labor & Industry (L&I), with cooperation from the Department of Education (PDE), Department of Community and Economic Development (DCED), and the statewide Workforce Investment Board (statewide WIB). The legislation also establishes a tax credit program where businesses can contribute to the program and obtain tax credits in future taxable years. These payments or donations will provide the funding for the school-to-work pilot program. A new restricted account is created for this new revenue. DCED will be responsible for the tax credit provision while L&I will disburse the funds out of the new restricted account.

**Career Bound Program Intent:** The program will be administered by L&I to empower local Workforce Investment Boards (WIBs), school partners, and business partners to collaboratively develop school-to-work programs for the following purposes:

- To provide students with career exploration opportunities and exposure to high priority occupations (HPOs) which will enable the student to make informed decisions on his/her future career path.
- To provide local WIBs with the funding and support necessary to convene school partners and business partners to implement innovative school-to-work pilot programs.
- To provide business partners with an opportunity to participate in a tax credit program and develop collaborative relationships with school partners and local WIBs so that the next generation of workers are well-equipped to meet the demand for HPOs.
- To provide school partners with the funds and framework to deliver to students a relevant and rigorous curriculum which will prepare students for HPOs.
- To provide program partners with informational resources to help them conduct successful school-to-work pilot programs.

**School-to-Work Pilot Program Requirements:** The curriculum for a school-to-work pilot program must be focused on HPOs and must include one or more of the following components:

- Early Exposure: Provides students broad orientation to the tools, processes and procedures used by individuals employed in HPOs. Activities may include company tours, demonstrations, and field trips.
- Practical Exposure: Provides students with a detailed understanding of the tools, processes, and procedures used by individuals in HPOs. Activities may include extended facility visits, job shadowing, and miscellaneous hands-on experience.
- Extended Exposure: Provides students with an in-depth understanding of the tools, processes, and procedures used by individuals in HPOs. Activities may include apprenticeships, internships, and cooperative learning opportunities.

Approved curricula must also include instruction on the development of “soft skills” (work ethic, promptness, integrity, respect for others, etc.)

**Application and Approval Process:** A local WIB may submit an application to L&I requesting approval for participation in CareerBound. An application must include the following:

- A list of program partners, including a declaration of interest by at least one school partner and one business partner. Program partners may include institutions of higher learning, nonprofit business-support entities and economic development agencies.
- A description of proposed curriculum and a plan for early/practical/extended exposure.
- A projection of costs, including opportunities to leverage other funding/programming resources.
- A list of HPOs which will be the focus of the pilot program.
- Documentation of any commitment by a business to make a payment to the CareerBound program and seek to utilize the available tax credit.
- A start date for the proposed pilot program.
- A list of clear objectives and measurable goals for the proposed school-to-work program.
- Documentation of an agreement among program partners describing the role of, and expectations for, each partner.

L&I, in consultation with PDE, DCED, and the statewide WIB, will approve up to seven school-to-work pilot programs. Priority must be given to proposed programs demonstrating integration across multiple educational levels, an ability to leverage other funding and programming resources, or a commitment from a business partner to provide preferred interviews to students completing the school-to-work pilot program.

Additional consideration must be given to proposed programs which include multiple businesses/school partners, which targets middle school/early high school students for early exposure activities, or which integrates the program into a school partner’s curriculum as a credit course. At the completion of the approval process, L&I will enter into a contractual agreement with local WIBs which submitted an approved application. L&I may terminate a program for failure to comply with program requirements, but a replacement program may be approved.

All pilot programs will expire after four years of operation.

**Program Operation:** L&I, in collaboration with PDE, DCED, and the statewide WIB, will manage CareerBound, establish an application process, enumerate outcome-based metrics, institute guidelines and procedures, and distribute funds as necessary. The guidelines must enumerate allowable expenses, provided that administrative expenses over 5% shall be disallowed.

**Application for and Availability of CareerBound Tax Credits:** Within 30 days of signing a participation contract, a taxpayer that is a business partner in a CareerBound pilot program may apply to DCED for a tax credit. Tax credits will be made available by DCED on a first-come, first-served basis. A taxpayer that is not a business partner may apply to DCED for a tax credit after business partner tax credits are made available.

A taxpayer applying for a credit may designate a school-to-work pilot program to receive the funds it contributes. L&I will allocate no less than 50% of the funds contributed to the designated pilot program.

**CareerBound Tax Credits and Restricted Account:** A taxpayer approved to receive a tax credit must make a payment to DCED in an amount and manner prescribed by DCED. DCED shall deposit all payments into a restricted account for distribution to the pilot programs. The total aggregate amount of all tax credits issued under the act may not exceed \$10 million and the total amount of tax credits issued to a single taxpayer may not exceed \$500,000.

Upon receipt of payment, DCED will issue a taxpayer a certificate for the tax credits approved. For taxpayers who are CareerBound business partners, the amount must be equal to 90% of the funds paid to DCED. For a taxpayer who is not a business partner, the amount must be equal to 75% of the funds paid to DCED.

**Carryover, Carryback, and Refund of CareerBound Tax Credits:** If a taxpayer 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. The tax credits cannot be utilized for tax years beginning after December 31, 2020 and a business cannot carry back or obtain a refund for all or a portion of an unused tax credit.

**Sale or Assignment of CareerBound Tax Credits:** Upon application to and approval by the Department of Revenue (DOR), a taxpayer may sell or assign all or part of a CareerBound tax credit (if the taxpayer does not have any tax liability to which the credit may be applied in that year). DOR shall establish guidelines for the approval of an application to sell or assign a CareerBound tax credit.

Before an application is approved, DOR 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 CareerBound 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 tax credit.

**Annual and Final Reports:** L&I, PDE, DCED, and the statewide WIB shall jointly submit an annual and final report regarding CareerBound and the pilot programs. The report will be sent to the Governor, Auditor General, Chairmen and Minority Chairmen of the Senate and House Appropriations, Education, and Labor & Industry Committees.

In addition to information required by L&I, the interim and final reports must include information about each school-to-work pilot program, including:

- Whether objectives and goals were achieved;
- An analysis of each pilot program based on L&I's outcome-based metrics;
- The number of participating students; and
- The amount spent.

Reports must identify best practices observed among the most successful school-to-work programs.

**FISCAL IMPACT:** This legislation would result in the loss of no more than \$10 million in revenue to the General Fund. \$10 million is the maximum amount of tax credits and would likely occur over multiple fiscal years. The timing of the loss is indeterminable at this point and is dependent upon the number of taxpayers utilizing the CareerBound tax credit and when the tax credits are utilized.

The legislation would generate between approximately \$11.1 million and \$13.3 million in revenue for the Career Bound Restricted Account if the full \$10 million tax credit allotment was fulfilled. If the available tax credits were completely utilized by business partners at 90% of the amount paid, the amount generated would be about \$11.1 million. If the available tax credits were completely utilized by other taxpayers at 75% of the amount paid, the amount generated would be about \$13.3 million. The timing of the revenue gain for the program is indeterminable at this point.

According to the Department of Labor and Industry, the administrative requirements would cost the department about \$50,000 annually which is consistent with the administration of the Industry Partnership Program.

According to DCED, the administrative requirements would cost the department about \$75,000 annually for the salary and benefits of one additional staff person.

The legislation would have no adverse fiscal impact on school districts or institutions of higher education as the program is completely voluntary.

**PREPARED BY:** Tim Rodrigo  
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**DATE:** September 28, 2015

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