

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 6182 S SB	<b>Title:</b> Apprenticeship program
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## Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(920,000)	(920,000)	(4,780,000)	(4,780,000)	(7,170,000)	(7,170,000)
<b>Total \$</b>	<b>(920,000)</b>	<b>(920,000)</b>	<b>(4,780,000)</b>	<b>(4,780,000)</b>	<b>(7,170,000)</b>	<b>(7,170,000)</b>

## Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.8	165,200	165,200	.2	27,600	27,600	.2	27,600	27,600
Workforce Training and Education Coordinating Board	.0	0	0	.0	0	0	.0	0	0
<b>Total</b>	<b>0.8</b>	<b>\$165,200</b>	<b>\$165,200</b>	<b>0.2</b>	<b>\$27,600</b>	<b>\$27,600</b>	<b>0.2</b>	<b>\$27,600</b>	<b>\$27,600</b>

## Estimated Capital Budget Impact

NONE

<b>Prepared by:</b> Kathy Cody, OFM	<b>Phone:</b> (360) 902-9822	<b>Date Published:</b> Final 2/ 4/2014
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 37000

FNS029 Multi Agency rollup

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 6182 S SB	<b>Title:</b> Apprenticeship program	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2014	FY 2015	2013-15	2015-17	2017-19
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		(920,000)	(920,000)	(4,780,000)	(7,170,000)
<b>Total \$</b>		(920,000)	(920,000)	(4,780,000)	(7,170,000)

### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.3	1.3	0.8	0.2	0.2
Account					
GF-STATE-State 001-1	28,400	136,800	165,200	27,600	27,600
<b>Total \$</b>	28,400	136,800	165,200	27,600	27,600

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Juliana Roe	Phone: (360) 786-7438	Date: 01/31/2014
Agency Preparation: Valerie Torres	Phone: 360-534-1521	Date: 02/04/2014
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/04/2014
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/04/2014

Request # 6182-1-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

This bill creates a business and occupation (B&O) tax credit for employers participating in the Washington apprenticeship program.

For an existing, approved apprenticeship program the credit is the lesser of:

- \$1,000, or
- 50 percent of the wages and benefits paid for each new apprenticeship position.

For an existing, approved apprenticeship program where the apprentice is a veteran, the credit is the lesser of:

- \$2,000, or
- 50 percent of the wages and benefits paid for each new apprenticeship position.

For new apprenticeship programs, the credit is the lesser of:

- \$2,000, or
- 50 percent of the wages and benefits paid for each new apprenticeship position.

For new apprenticeship programs where the apprentice is a veteran, the credit is the lesser of:

- \$3,000, or
- 50 percent of the wages and benefits paid for each new apprenticeship position.

For new apprenticeship programs where the Workforce Training and Education Coordinating Board (Board) has identified a gap in the supply of skilled workers, the credits is the lesser of:

- \$3,000, or
- 50 percent of the wages and benefits paid for each new apprenticeship position.

For new apprenticeship programs where the Board has identified a gap in the supply of skilled workers and the apprentice is a veteran, the credits is the lesser of:

- \$4,000, or
- 50 percent of the wages and benefits paid for each new apprenticeship position.

The credit can be carried forward for up to four years after the year the credit was earned.

No refunds may be granted for credits.

Credits can only be claimed on returns filed electronically with the Department of Revenue (Department).

A new apprenticeship position means an additional person participating in an approved apprenticeship program that is in addition to the number of apprenticeship positions filled by an employer prior to July 30, 2014. A new apprenticeship position created after August 1, 2014 remains annually eligible for the credit if the position is in addition to the number of apprenticeship positions established by the employer before August 1, 2014.

A new apprenticeship program means an apprenticeship program approved by the Apprenticeship Council that did not exist before August 1, 2014.

A veteran has served in any branch of the armed forces of the United States, including the National Guard and armed forces reserves who:

- received an honorable discharge,
- received a discharge for medical reason with an honorable records, or
- is currently serving honorably.

The Board must annually identify and report to the Department the approved apprenticeship programs where the Board determines a gap in the supply of skilled workers.

The bill takes effect August 1, 2014.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

### **ASSUMPTIONS**

- The Department of Labor and Industries (L&I) and the Board will provide the Department with the necessary information to determine new apprenticeship positions and new apprenticeship programs.
- A new apprenticeship program does not include new occupations added to an apprenticeship program and does not include programs updating or adding standards.
- Existing positions do not qualify for the credit when filled by a new apprentice unless the total number of apprentice positions for the employer is greater than those available July 30, 2014.
- Employers participating in apprenticeship programs have B&O taxes greater than the credit they earn each year resulting in little or no credit being carried forward.
- This new tax preference expires January 1, 2025 because the bill does not include an expiration date (RCW 82.32.805).
- The state credit amounts (\$1,000; \$2,000; \$3,000; and \$4,000) will be less than 50 percent of wages and benefits paid to apprentices.
- Based on L&I active apprenticeship data:
  - Apprentices in new apprenticeship programs in Board identified skill gap areas have averaged 5 apprenticeship positions between 2008 and 2013, so 5 apprentices in new apprenticeship programs in Board identified skill gap areas are assumed each year. Of these, 3 were veterans and so each year assumes 3 of these positions will be filled by veterans.
  - Apprentices in new apprenticeship programs have averaged 10 apprenticeship positions between 2008 and 2013, so 10 apprentices in new apprenticeship programs are assumed each year. Of these, 2 were veterans and so each year assumes 2 of these positions will be filled by veterans.
  - Between 2008 and 2013, on average 815 new positions were added beyond the current positions in other existing apprenticeship programs. Each year assumes 815 new positions beyond the current level of apprenticeship positions.
  - In 2013, over 1,000 registered apprentices were veterans, representing 33 percent of all apprentice registrations. So 33 percent of new positions added beyond the current level of apprenticeship positions in other existing apprenticeship programs will be filled by veterans.
  - On average it takes 5 years to complete an apprenticeship and 50 percent of apprenticeships are completed. Employers will keep current apprenticeship positions filled and 50 percent of new apprenticeship positions will qualify for the credit for 5 years.
  - Incomplete apprenticeships are cancelled or suspended on average within 3.5 years. This estimate assumes 1/3 of new apprenticeship positions are cancelled or suspended in each of the first 3 years.

### **DATA SOURCES**

Department of Labor and Industries active apprentice data (2011 to 2013)

### **REVENUE ESTIMATES**

State revenues will decrease by an estimated \$920,000 in the 10 months of impacted collections in Fiscal Year 2015 and by \$2 million in Fiscal Year 2016, the first full year of impacted collections.

By Fiscal Year 2020, credits will have leveled off to an estimated \$4.4 million per year.

## TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2014 - \$ 0  
FY 2015 - (\$ 920)  
FY 2016 - (\$ 2,020)  
FY 2017 - (\$ 2,760)  
FY 2018 - (\$ 3,310)  
FY 2019 - (\$ 3,860)

Local Government, if applicable (cash basis, \$000): none.

## II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

### ASSUMPTIONS:

7,500 taxpayers will be affected by this legislation.

### FIRST YEAR COSTS:

The Department will incur total costs of \$28,400 in Fiscal Year 2014. These costs include:

- Labor Costs - Time and effort equates to 0.3 FTEs.
- Set up, program and test computer system changes.

### SECOND YEAR COSTS:

The Department will incur total costs of \$136,800 in Fiscal Year 2015. These costs include:

- Labor Costs - Time and effort equates to 1.3 FTEs.
- Set up, program and test computer system changes.
- Adopt one new administrative rule.

### ONGOING COSTS:

Ongoing costs for the 2015-2017 Biennium equal \$27,600 and include cost for ongoing program administration. Time and effort equates to 0.2 FTEs.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.3	1.3	0.8	0.2	0.2
A-Salaries and Wages	16,800	83,600	100,400	17,000	17,000
B-Employee Benefits	5,000	25,100	30,100	5,200	5,200
E-Goods and Other Services	4,600	19,600	24,200	5,000	5,000
J-Capital Outlays	2,000	8,500	10,500	400	400
<b>Total \$</b>	<b>\$28,400</b>	<b>\$136,800</b>	<b>\$165,200</b>	<b>\$27,600</b>	<b>\$27,600</b>

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
EXCISE TAX EX 2	42,583		0.2	0.1	0.2	0.2
EXCISE TAX EX 4	55,839	0.3		0.2		
HEARINGS SCHEDULER	32,688		0.0	0.0		
IT SPEC 4	63,195		0.2	0.1		
IT SPEC 5	69,756		0.8	0.4		
TAX POLICY SP 2	61,628		0.0	0.0		
TAX POLICY SP 3	69,756		0.1	0.0		
WMS BAND 3	88,546		0.0	0.0		
<b>Total FTE's</b>	483,991	0.3	1.3	0.8	0.2	0.2

## Part IV: Capital Budget Impact

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

None.

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Should this legislation become law, the Department will use the standard process to adopt a new rule, titled: "Apprenticeship Tax Credit". Persons affected by this rule-making would include businesses with apprenticeship programs.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6182 S SB	<b>Title:</b> Apprenticeship program	<b>Agency:</b> 354-Workforce Train & Educ Coord Board
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## Part I: Estimates



No Fiscal Impact

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Legislative Contact: Juliana Roe	Phone: (360) 786-7438	Date: 01/31/2014
Agency Preparation: Glena Red Elk	Phone: 360-709-4620	Date: 02/04/2014
Agency Approval: Robert Hinsch	Phone: 360 709-4624	Date: 02/04/2014
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/04/2014

Request # SWM-2-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

New Section added to 28C.18 RCW requires the Workforce Training and Education Coordinating Board (Board) to annually identify and report newly approved apprenticeship programs to the Department of Revenue that are eligible for one of four tax credits. The report will require a cross-match effort with the Board's Skills Gap Analysis which is already being done by the Department of Labor and Industries Apprenticeship Program. Information will be shared between 3 state agencies (Labor and Industries, the Board, and Department of Revenue) and is provided without incurring additional cost.

II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*