

Fiscal Estimate Narratives

DWD 3/8/2005

LRB Number	05-2027/1	Introduction Number	SB-69	Estimate Type	Original
Subject					
Tax credit for training apprentices					

Assumptions Used in Arriving at Fiscal Estimate

Fiscal Estimate Worksheet for Apprenticeship Tax Credit-SB-69, LRB 05-2027/1

This bill creates an income tax and franchise tax credit for employers who train apprentices under WI Chapter 106. To be eligible, the length of the program must range from two to five years. Qualified employers include private sector employers in three sectors; construction, industrial/manufacturing and service with the top five trades in each sector projected to have the most openings. DWD is only estimating its own administrative costs of this program. Tax credits are the responsibility of the state Department of Revenue (DOR).

The bill requires that the Department of Workforce Development certify for 2006, 2007 and 2008 the five trades with the greatest number of projected job openings for each of these sectors. The tax credit will be extended if the number of employers training apprentices for the programs approved under this bill increase by 40% during the period from January 1, 2006 through December 31, 2008.

The amount of the credit is 5% of the apprentice's wages in a taxable year, but not to exceed \$1,400 in each year. In the year the apprentice completes the program, the amount claimed is 8% with a maximum of \$3,000.

DWD Program and Administration Assumptions

At the time this bill would go into effect, the 5 occupational groupings with the most projected job openings in each of the three sectors are each considered an approved program. An example of an occupational grouping is "carpenters" that includes a variety of related but different apprentice occupations such as construction carpenters, cabinetmakers and pile drivers. From 2006 to 2007 to 2008 the actual top 5 occupational groupings for each of these three sectors may vary and thus increase or decrease the number of additional apprentices from the numbers in this estimate.

To determine if the number of employers meets the 40% increase threshold, DWD would use existing apprenticeship employer information. DWD would annually provide DOR with an electronic listing of those employers and apprentices in approved programs. DOR could then assure that only employers with apprentices in approved programs receive the tax credit. Even with no tax credit extension beyond 2008, DWD will maintain this information for DOR for 4 years after 2008 to cover the maximum 5 year apprenticeship period. During that time employers may continue to receive a tax credit for an apprentice in an approved occupation until the apprentice completes the apprenticeship program.

*The major administrative cost is handling the additional apprentices. The ratio of apprentices to Apprenticeship Standards staff is approximately 1 staff to 1000 apprentices. Apprenticeship Standards staff certify new employers, register the apprentices, and monitor the training.

Fiscal Estimate Methodology

Job opening projections are based on existing SFY 2005 occupational projections. No new information has been gathered beyond the annual update of those projections and no new analysis done. This fiscal estimate assumes the total number of employers with at least one apprentice will increase to the 40% level needed to extend the credit resulting in the number of apprentices also increasing by 40% during the period 2006 through 2008.

Based on the current number of apprentices in the 5 top apprenticeship occupations for each of the 3 trade groups projected to have the most openings, a 40% increase in apprentices would result in 894 apprentices annually above the number of apprentices that would be expected without the tax credit. That is, there would be 894 new apprentices in 2006, another 894 new apprentices in 2007, and another 894 in 2008 for a total of 2,681 additional apprentices over three year period.

Staffing Table 1 below assumes employers will not be eligible for the tax credit after 12/31/08 for new apprentices. Table 1 assumes:

*the number of apprentices first drops off beginning year 3 since an approved apprenticeship program must be at least 2 years in length to qualify for the tax credit.

* the number of apprentices drops by an equal number of 296 (894/3) each year until the end of 2012. For the first year the reduction is the average of 894 (beginning of year) and 596 (end of year) or 835.5. After the first reduction, the average reduction can then be applied to the following two years. The estimate assumes an annual cost of \$78,300 per FTE.

Staffing Table 1

Staffing Needed for 40% Increase in Apprentices with Approved Programs Ending 12/31/08

Year 2006 2007 2008 2009 2010 2011 2012

Average Annual # of Apprentices*

2006 894 894 745 447 151 0 0

2007 894 894 745 447 151 0

2008 894 894 745 447 151

Total Apprentices/Year 894 1787 2532 2085 1342 598 151

FTE Rounded 0.9 1.8 2.5 2.1 1.3 0.6 0.2

Fiscal Estimate*\$70,000 \$139,900\$198,200 \$163,300 \$105,100 \$46,800 \$11,800

*Apprenticeship Training Reps are in a progressive series reaching level C by the end of the third year.

Annual cost estimate includes salary, fringe, general administrative charge, DWS allocated costs, and program supplies and services including travel costs. Annual average salary per FTE is \$29,400 and other is \$29,400 as of SFY2005.

Additional Issue

More than 70% of the 2003-2005 Apprenticeship funding is through Reed Act UI Funding as approved by the Unemployment Insurance Advisory Council(UIAC). DWD's 05-07 Biennial Budget request included increased and continued Reed Act funding be used to support the Apprenticeship program. In that this fiscal estimate is over and above the level of proposed 05-07 Reed Act funding and continues past the biennium, the fiscal note is drafted as if the additional fiscal costs are supported by state General Purpose Revenue. Any request for additional Reed Act funding to support this additional staffing would need to be reviewed and requested on a biennial basis using the Federal rules for Reed Act usage and UIAC participation.

Long-Range Fiscal Implications

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Long-Term Fiscal Implications

If the incentives extend beyond 2008 and there are the same number of additional apprentices, the FTEs stabilize at just over 3.1 FTE at an annual cost of \$245,100.

Staffing Table 2

Staffing for Increased Apprentices for Extended Tax Credit Program

Year 2006 2007 2008 2009 2010 2011 2012

Average Annual # of Apprentices*

2006 894 894 745 447 151 0 0

2007 894 894 745 447 151 0

2008 894 894 745 447 151

2009 894 894 745 447

2010 894 894 745

2011 894 894

2012 894

Total 894 1788 2533 2979 3130 3130 3130

1 FTE@ 1000 Appren. 0.9 1.8 2.5 3.0 3.1 3.1 3.1

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$123,800	
	(FTE Position Changes)		
	State Operations - Other Costs	74,400	
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$198,200	\$
B. State Costs by Source of Funds			
	GPR	198,200	
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$198,200	\$
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		Authorized Signature	Date
DWD/ Janet Van Vleck (608) 266-6722		JoAnna Richard (608) 266-3131	3/8/2005