

Fiscal Estimate Narratives

DWD 11/7/2003

LRB Number	03-3509/1	Introduction Number	AB-626	Estimate Type	Original
Subject					
Apprentice training tax credit					

Assumptions Used in Arriving at Fiscal Estimate

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.

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 \$8,000.

DWD is only estimating the its own administrative costs of this program. Tax credits are the responsibility of the state Department of Revenue (DOR).

DWD Administrative Assumptions

*Job opening projections would be based on existing occupational projections. No new information would be gathered and no new analysis done. Based on the projections available 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 would each be considered an approved program. An example of an occupational grouping is the one called "carpenter" that includes a variety of related but different apprenticeable occupations such as construction carpenters, cabinetmakers and pile drivers. From 2006 to 2007 to 2008 the specific top 5 occupational groupings for each of these three sectors could vary.

*DWD would use existing apprenticeship employer information to determine if the number of employers meets the 40% increase threshold.

*DWD would annually provide DOR with an electronic listing of those employers and apprentices in approved programs so DOR can assure that only employers with apprentices in approved programs receive the tax credit. Even with no tax credit extension beyond 2008, DWD will need to maintain this information for DOR for 4 years after 2008 in that 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 would certify new employers, register the apprentices, and monitor the training.

DWD has used existing job opening projections applicable to apprenticeship occupations as the basis for this fiscal estimate. Assuming the total number of employers with an apprentice increases by the 40% level needed to extend the credit, it is estimated that the number of apprentices would also increase by just over 40% during the period 2006 through 2008. This would result in 1024 new apprentices at the end of 2006, an additional 1024 new apprentices in 2007, and an additional 1024 in 2008 or a total of 3072 additional apprentices over the 3 year period.

To develop this estimate, the 5 top apprenticeable occupations in each of the 3 trade groups projected to have the most openings were identified. Based on the current number of apprentices in those programs, it was determined that a just over 40% increase in apprentices would result in 1024 apprentices annually above the number of apprentices that would be expected without the tax credit. The calculation to determine this number

used for 2006, 2007 and 2008 used the estimated new employment for those occupations, the estimated percent of the employment that would be in new apprentices, and the estimated number of employers hiring apprentices.

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

Long-Range Fiscal Implications

If the program extends beyond 2008 and the same number of additional apprentices continue to be approved at the 40% level, the FTE's needed stabilizes at just over 3.75.

Fiscal Estimate Worksheet for Apprenticeship Tax Credit-IR 3509/1

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.

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 \$8,000.

DWD is only estimating the its own administrative costs of this program. Tax credits are the responsibility of the state Department of Revenue (DOR).

DWD Administrative Assumptions

*Job opening projections would be based on existing occupational projections. No new information would be gathered and no new analysis done. Based on the projections available 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 would each be considered an approved program. An example of an occupational grouping is the one called "carpenters" that includes a variety of related but different apprenticeable occupations such as construction carpenters, cabinetmakers and pile drivers. From 2006 to 2007 to 2008 the specific top 5 occupational groupings for each of these three sectors could vary.

*DWD would use existing apprenticeship employer information to determine if the number of employers meets the 40% increase threshold.

*DWD would annually provide DOR with an electronic listing of those employers and apprentices in approved programs so DOR can assure that only employers with apprentices in approved programs receive the tax credit. Even with no tax credit extension beyond 2008, DWD will need to maintain this information for DOR for 4 years after 2008 in that 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 would certify new employers, register the apprentices, and monitor the training.

DWD has used existing job opening projections applicable to apprenticeship occupations as the basis for this fiscal estimate. Assuming the total number of employers with an apprentice increases by the 40% level needed to extend the credit, it is estimated that

the number of apprentices would also increase by 40% during the period 2006 through 2008. This would result in 1024 new apprentices at the end of 2006, an additional 1024 new apprentices in 2007, and an additional 1024 in 2008 or a total of 3072 additional apprentices over the 3 year period.

To develop this estimate, the 5 top apprenticeable occupations in each of the 3 trade groups projected to have the most openings were identified. Based on the current number of apprentices in those programs, it was determined that a 40% increase in apprentices would result in 1024 apprentices annually above the number of apprentices that would be expected without the tax credit. The calculation to determine this number used for 2006, 2007 and 2008 used the estimated new employment for those occupations, the estimated percent of the employment that would be in new apprentices, and the estimated number of employers hiring apprentices.

The following staffing table assumes the number of apprentices first drops off beginning with year 3 since an approved apprenticeship program must be at least 2 years in length to qualify for the tax credit. The table assumes the number of apprentices drops by an equal number of 341 (1024/3) each year until the end of 2012. For the first year after the minimum 2 year apprenticeship period the reduction is the average of 1024 (beginning of year) and 683 (end of year) or 835.5. After the first reduction, the average reduction can then be applied to the following two years.

Apprenticeship Costs with Approved Programs Ending 12/31/08

Year	2006	2007	2008	2009	2010	2011	2012
Average Annual # of Apprentices*							
2006	1024	1024	853.5	512.5	342	0	0
2007		1024	1024	853.5	512.5	342	0
2008			1024	1024	853.5	512.5	342
Total Apprentices	1024	2048	2901.5	2390	1708	854.5	342
1 FTE@ 1000 Apprentices	1.024	2.048	2.9015	2.39	1.708	0.8545	0.342
FTE Rounded	1.0	2.0	2.9	2.4	1.7	.9	.3
Annual Cost	59,700	119,400	173,200	143,300	101,500	53,700	17,900

Long-Term Fiscal Implications

If this program extends beyond 2008 and the same number of additional apprentices continue to be approved at the 40% level, the FTEs needed stabilizes at just over 3.75.

Apprenticeship Costs for Extended Tax Credit Program

Year	2006	2007	2008	2009	2010	2011	2012
Average Annual # of Apprentices*							
2006	1024	1024	853.5	512.5	342	0	0
2007		1024	1024	853.5	512.5	342	0
2008			1024	1024	853.5	512.5	342
2009				1024	1024	853.5	512.5
2010					1024	1024	853.5
2011						1024	1024
2012							1024
Total	1024	2048	2901.5	3414	3756	3756	3756
1 FTE@ 1000 Apprentices	1.024	2.048	2.9015	3.414	3.756	3.756	3.756
FTE Rounded	1.0	2.0	2.9	3.4	3.8	3.8	3.8

Annual Cost	\$59,700	\$119,400	\$173,200	\$203,000	\$226,900	\$226,900	\$226,900
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Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-3509/1		Introduction Number AB-626	
Subject			
Apprentice training tax credit			
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		\$126,600	
(FTE Position Changes)		(2.9 FTE)	
State Operations - Other Costs		46,600	
Local Assistance		0	
Aids to Individuals or Organizations		0	
TOTAL State Costs by Category		\$173,200	\$
B. State Costs by Source of Funds			
GPR		173,200	
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, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$173,200	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By			
DWD/ Janet Van Vleck (608) 266-6722		Authorized Signature	
		JoAnna Richard (608) 266-3131	
Date			
11/7/2003			