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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Job Creation, Economic Development and Consumer Affairs (SC-JCEDCA)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Mike Barman (LRB) (August/2012)

Senate

Record of Committee Proceedings

Committee on Job Creation, Economic Development and Consumer Affairs

Senate Bill 69

Relating to: an income tax and franchise tax credit for training apprentices.

By Senators Grothman, Roessler and Kanavas; cosponsored by Representatives Loeffelholz, Gronemus, Ainsworth, Kerkman, Van Roy, Albers, Fields, Freese, Jensen, Townsend, Ott, Vos, Jeskewitz, Gunderson, Pettis and Davis.

February 17, 2005 Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

May 19, 2005 **PUBLIC HEARING HELD**

Present: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.
Absent: (0) None.

Appearances For

- Gabe Loeffelholz, Madison — Representative
- Mr. Brian Mitchell, Oconomowoc — Association of General Contractors - Greater Milwaukee
- Mr. James Macejkovic, Milwaukee
- Mr. John Mielke — Associated Builders and Contractors of Wisconsin

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- Glenn Grothman, Madison — Senator
- Mr. Jim Boullion, Madison — Associated General Contractors

Registrations Against

- None.

May 4, 2006 Failed to pass pursuant to Senate Joint Resolution 1.

James Michel
Committee Clerk

SENATE BILL 69 (LRB -2027)

An Act to amend 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a), 71.34 (1) (g), 71.45 (2) (a) 10. and 77.92 (4); and to create 71.07 (5e), 71.10 (4) (cp), 71.28 (5e), 71.30 (3) (dm), 71.47 (5e) and 71.49 (1) (dm) of the statutes; relating to: an income tax and franchise tax credit for training apprentices. (FE)

2005

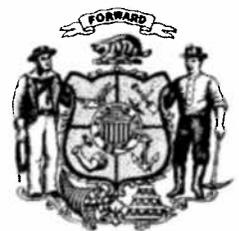
- 02-17. S. Introduced by Senators **Grothman, Roessler and Kanavas**; cosponsored by Representatives **Loeffelholz, Gronemus, Ainsworth, Kerkman, Van Roy, Albers, Fields, Freese, Jensen, Townsend, Ott, Vos, Jeskewitz, Gunderson, Pettis and Davis.**
- 02-17. S. Read first time and referred to committee on Job Creation, Economic Development and Consumer Affairs 86
- 03-16. S. Fiscal estimate received.
- 03-16. S. Fiscal estimate received.
- 05-19. S. Public hearing held.

2006

- 05-11. S. Failed to pass pursuant to Senate Joint Resolution 1 853



WISCONSIN STATE LEGISLATURE





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Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

Senate Job Creation, Economic Development and Consumer Affairs Committee Hearing,
May 19, 2005

SB 69 – Tax Credit for Training Apprentices (Sen. Grothman)

Description of Current Law and Proposed Change

The bill would create a nonrefundable income and franchise tax credit for an employer that pays wages to an apprentice participating in a 2-year to 5-year program in construction, industrial manufacturing or service occupations if the apprentice is in one of the five industrial, five construction or five service occupations with the most job openings for new entrants, as determined by the Department of Workforce Development (DWD). The credit would equal 5% of wages paid to an apprentice, not to exceed \$1,400 per year, but would increase to 8%, not exceeding \$3,000, during the year the apprentice completes the program. The program would have to be approved by DWD.

Fairness/Tax Equity

- Most businesses have jobs that require substantial training of new persons hired. Training employees is a legitimate business expense. Under this bill, employers in selected industries are subsidized for training costs, while other employers are not.

Impact on Economic Development

- The tax credit could encourage employers to hire and train workers needing multiyear apprenticeship programs who might not otherwise be employed because they do not significantly add to the profitability of their employer during the training period. On the other hand, training programs raise the productivity of the workers and thus their contribution to the productivity of the firm in the long run, which could be seen as sufficient incentive for employers to provide apprenticeship programs.

Administrative Impact/Fiscal Effect

- According to information from DWD, it is estimated that 7,900 apprentices would annually qualify their employer for credit. Of these, 2,400 would be in the final year of their programs and that 5,500 would be in prior program years. The estimate assumes that employers would receive the maximum credit for apprentice wages. The Department estimates the annual fiscal effect of the bill at \$11.2 million annually.

- The Department estimates that it would incur \$40,200 of one-time costs for computer programming and \$6,500 of ongoing annual costs to administer the credit. The draft does not provide funding for these costs.

Prepared by: Pam Walgren 266-7817

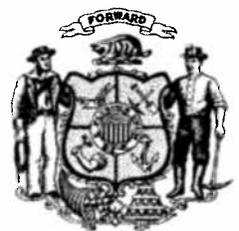
May 11, 2005

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WISCONSIN STATE LEGISLATURE



**To: Senate Committee on Job Creation, Economic
Development and Consumer Affairs Members**

From: Senator Glenn Grothman

**Re: Testimony on Senate Bill 69 – Tax Credit for
Training Apprentices**

Date: May 19, 2005

Thank you members of the Senate Committee on Job Creation, Economic Development and Consumer Affairs for the opportunity to speak about Senate Bill (SB) 69.

As some of you may know, the idea of creating a tax credit for training apprentices was put forth by a Legislative Council Study Committee on Labor Shortages. That Committee was charged with task of helping to alleviate the worker shortage that Wisconsin would be facing for the next decade.

One purpose of SB 69 is to get new employers to participate in the apprenticeship program. There is a very real cost to training new workers in a craft. Employers who have an apprenticeship program must pay an apprentice an hourly wage for going to class to learn his or her trade. The classroom hours that an employer must pay for can range anywhere from 400 to 700 hours.

An employer also pays a cost for an apprenticeship program in on-the-job-training hours. An apprentice must complete 9,000 hours of on-the-job-training hours to complete a 5 year program. There are supervision costs to account for with on-the-job training work.

Between the classroom hours and the on-the-job training hours, employers do invest a great deal of hours and wages in an apprenticeship program. Senate Bill 69 can help offset the cost to those employers.

Senate Bill 69 is also beneficial to the state and its economic development. Wisconsin's labor force is growing older, and the state will fall behind other states if we can not find and train a new labor force to take over old jobs, and to accommodate for the growth of new jobs.

To address potential labor shortages, SB 69 directs the Department of Workforce to target 15 areas in need of skilled labor and provides a mechanism to help fulfill those labor needs. Having young workers being trained by companies in a trade will help the state to meet the need for skilled workers.

Finally, I know that some will refer to this legislation as another example of government subsidizing business. I would point out that legislation is often proposed to have state government help out students attend colleges and universities and get an education. SB 69 not only helps young people get an education, but also provides the state with a skilled work force.





Testimony on SB 69
Senate Committee on Job Creation, Economic
Development, and Consumer Affairs
Chairman Senator Kanavas
May19, 2005

Mr. Chairman and members of the committee, my name is John Mielke, Director of Government Relations for the Associated Builders and Contractors of Wisconsin. I thank you for the opportunity to comment on this important legislation.

Worker training is critical to the success of any company. Worker training improves safety and productivity. And worker training is expensive.

Although we support SB 69, I submit that companies will continue training in the future regardless of the fate of this bill or its companion Assembly Bill 118.

Employers who wish to remain competitive will take the necessary steps to train their future workforce independent of tax incentives.

Senate bill 69 is not about enticing employers to train the workforce of tomorrow it is about helping shape how employers train the workers of tomorrow.

Employers today can choose to train in the apprenticeship system or they can choose to train their workers by some other means.

In fact, many workers in our industry gain knowledge of their trade without the benefit of serving an apprenticeship. These workers are exposed to the trade without the benefit of a formalized curriculum, without the benefit of oversight from a training committee, and without the structure provided by an apprenticeship contract.

While many companies do a responsible job of training independent of the apprenticeship system, unfortunately others are much less deliberate in their approach. For these companies training is more of a "hit and miss" proposition that can result in inadequate worker training.

Inadequate training hurts workers, is bad for consumers, bad for employers, and damages the reputation of our industry.

Wisconsin's apprenticeship system has a proven track record. A track record of producing highly skilled craftspeople who earn a good living, provide for their families, and contribute to a growing economy.

Despite the long and proud history of Wisconsin's apprenticeship program, it is now, and always has been a "voluntary" program. A program whose future success is largely dependant on how attractive this training option is to employers.

ABC of Wisconsin is a statewide construction association representing over 800 contractors, material suppliers, manufacturers and other construction-related firms in Wisconsin.

These members are committed to apprenticeship training. Since our programs inception in 1987 the number of apprentices enrolled in the ABC program has continued to rise. Currently ABC members are training more than 1100 apprentices at eleven different technical colleges across the state.

The growth of the ABC program has been impressive, but it alone is not sufficient to meet the future needs of the construction industry. We need more employers who are committed to apprenticeship training. SB 69 represents good public policy whose goal is to promote the apprenticeship system.

SB 69 is not about compensating employers for the cost of training their employees. Training is a cost of doing business. SB 69 is about providing an incentive to employers so that they choose a structured training program. It affirms that the state wants employers to utilize the apprenticeship system and recognizes that the future of that system is dependent on its ability to attract employers.

I urge your support for SB 69.



May 19, 2005

To: Chairperson Kanavas and Members,
Senate Committee on Job Creation, Economic Development & Consumer Affairs

Re: Testimony of Brian Mitchell on behalf of Associated General Contractors of Greater Milwaukee in SUPPORT of Senate Bill 69 (Relating to an income and franchise tax credit for training apprentices).

Senator Kanavas and Members of the Committee:

I am Brian Mitchell on behalf of the Associated General Contractors of Greater Milwaukee appearing in support of Senate Bill 69.

In 2000 and 2001 the Legislative Council convened a Special Committee on Labor Shortage. That group of 31 legislators and public and private sector representatives from around the state was charged with looking at Wisconsin's demographics and specifically, labor market supply and demand trends, and making some findings and recommendations. To quote Mr. Terry Ludeman, economist for the Department of Workforce Development on the Committee's most significant finding: "Wisconsin's labor market problem is not a demand issue, it's a supply side issue." Particularly with respect to skilled workers, the Committee predicted a growing shortage of workers to fill skilled jobs and expected this to be a challenge for the foreseeable future. One of the Committee's recommendations to address this problem was the notion of providing tax credits or other incentives for employers to participate in apprenticeship programs. In the intervening four years since the committee met, nothing has changed to cause the experts to reevaluate this picture.

Wisconsin demographic projections show employers competing for a diminishing pool of workers. Economists, demographers and others have pointed out that some basic trends are in place in Wisconsin which all but guarantee a labor shortage: relatively slow population growth, already high labor force participation rates and low unemployment. We anticipate the shortage of skilled workers will be especially acute in certain construction trades which will soon be impacted by "baby-boomer" retirements. Senate Bill 69 is a key component of a comprehensive strategy to expand the pool of skilled workers in our state and keep vital sectors of our economy growing.

Senate Bill 69 would create a targeted tax credit for employers who train certain construction, manufacturing, and service sector apprentices. As already has been noted, this is a need that was recognized and endorsed by the Legislative Council Committee on Labor Shortage.

Any investment by the state in the form of a tax credit will be more than recouped through the income taxes paid on apprentices' wages. Some have recently questioned the public subsidies for the college education of many of our young people who then leave the state upon graduation. The vast majority of participants in approved apprenticeship programs will remain in Wisconsin as taxpayers in well-paying jobs. Such incentive programs work, as attested to by Connecticut officials who noted a 10% increase in manufacturing apprentices following the creation of tax credit there.

For all of the above reasons, we would urge your favorable action on Senate Bill 69.