



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4145 As amended by House Ways and Means on May 20, 2015
 Author: White
 Requestor: House Ways and Means
 Date: May 22, 2015
 Subject: Coordinating Council for Workforce Development
 RFA Analyst(s): Stein, Fulmer, Gardner, Martin, Shuford, Walling, and Wren

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17	FY 2017-18
State Expenditure			
General Fund	\$47,623,800	\$7,198,800	\$7,198,800
Other and Federal	Undetermined	N/A	N/A
Full-Time Equivalent Position(s)	59.00	0.00	0.00
State Revenue			
General Fund	N/A	(\$8,000,000)	(\$17,500,000)
Other and Federal	Undetermined	Undetermined	Undetermined
Local Expenditure	Minimal	N/A	N/A
Local Revenue	N/A	N/A	N/A

Fiscal Impact Summary

This bill would have an expenditure impact of \$47,623,800 on the General Fund in FY 2015-16 and \$7,198,800 in each year thereafter. An expenditure impact on Federal Funds and Other Funds is not anticipated. As the responsibilities of each of the operating agencies have not yet been determined by the new council, the full impact of this bill on agency expenditures cannot yet be determined.

The tax credits offered by this bill would have a negative impact on General Fund revenue of \$8,000,000 in FY 2016-17, increasing to \$17,500,000 per year from FY 2017-18 through FY 2021-22. Beyond FY 2021-22, tax credits would be limited to \$8,000,000 per year and any carry-forward of career pathways tax credits from previous years for up to fifteen years from the close of the tax year in which it was earned.

The Municipal Association indicates this bill will have a minimal expenditure impact on municipal governments. Since our office received no responses from the counties surveyed, we are not able to determine the expenditure impact on county governments.

Explanation of Fiscal Impact

State Expenditure

House Bill 4145, as amended, adds Article 15 to Chapter 1, Title 13 creating a five-member Coordinating Council for Workforce Development and a seventeen-member advisory group within the Department of Commerce. The council is charged with forging partnerships with

state, local, and private stakeholders, assessing state-wide needs, coordinating the development of a comprehensive plan to improve workforce training and education, and creating an effective workforce development and job placement system. The bill specifies the council's duties, responsibilities, evaluation, and reporting requirements regarding the development of the plan. The bill also requires the council to establish a multi-agency program called the Pathways Initiative. The proposed Pathways to First Careers program must be designed to facilitate the transition from education to employment in industries with critical workforce shortages. The proposed Pathways to New Opportunities program must be designed to provide subsidized career training, certification, and job placement assistance to adults pursuing careers in critical need industries in the state. The bill also requires the State Board for Technical and Comprehensive Education to establish a Workforce Scholarship and Grants Fund to be used for tuition and education-related expenses for qualified individuals enrolled in eligible programs. The bill provides limited income tax credits to individuals and entities who contribute to the Workforce Scholarship and Grants Fund.

Department of Commerce. The bill establishes a new division within the Department of Commerce called the Coordinating Council for Workforce Development charged with developing a coordinated plan, infrastructure, and a scholarship fund designed to create an effective system fostering workforce education, training, and job placement. The department estimates that this new multi-agency initiative will require five additional FTEs to plan, develop, coordinate, and sustain the council's new state-wide programs. General Fund expenditures are estimated at \$500,000 in the first year and \$425,000 each year thereafter.

State Department of Education. The department indicates there would be no expenditure impact for the 2015-2016 school year. With the implementation in the 2016-2017 school year, the department indicates there may be additional expenditures; however, the amount of those expenditures is unknown at this time.

Department of Employment and Workforce. The Department of Employment and Workforce reports that the expenditure impact of this bill is undeterminable until the agency's specific responsibilities are formulated by the new Coordinating Council for Workforce Development.

State Board for Technical and Comprehensive Education. The board indicated that the bill would impact General Fund expenditures by \$47,123,800 in FY 2015-16 and \$6,773,800 in FY 2016-17 and thereafter. The bill would require a total of forty-eight additional FTEs for the sixteen technical colleges and six new FTEs for the agency. The non-recurring costs for implementing the bill for all sixteen colleges include \$28,500,000 in equipment needed for the program; \$10,000,000 for renovating labs and classrooms; \$990,000 for IT modifications; and \$860,000 for the purchase, up-fit, and equipment needed for two simulation trucks. Included in recurring costs is the assistance for 2,500 students with training materials (\$500,000), certification fees (\$250,000), and transportation (\$812,500). Other recurring costs include marketing to prospective students (\$715,000), marketing to businesses (\$100,000), miscellaneous administrative expenses (\$127,500), and salary and fringe expense for 54 new FTEs (\$4,268,800).

Commission on Higher Education. The agency reports that the expenditure impact of this bill on the agency and on the public institutions of higher education is undeterminable until the specific responsibilities are formulated by the new Coordinating Council for Workforce Development.

Department of Social Services. This bill adds a representative from the Department of Social Services to the advisory group. There is no expenditure impact to the General Fund, Federal Funds, or Other Funds.

Department of Vocational Rehabilitation. The agency was contacted and asked to submit an impact statement, but the agency has not yet responded.

Department of Corrections. The agency anticipates no expenditure impact on the General Fund, Federal Funds, or Other Funds.

Department of Juvenile Justice. The agency was contacted and asked to submit an impact statement, but the agency has not yet responded.

Executive Budget Office. The Executive Budget Office indicates this bill would have minimal impact which can be absorbed within existing resources.

Revenue and Fiscal Affairs Office. The agency anticipates no expenditure impact on the General Fund, Federal Funds, or Other Funds.

State Revenue

Section 3. Section 3 establishes the Workforce Scholarship and Grant Fund administered by the State Board for Technical and Comprehensive Education to provide scholarship funding for eligible individuals. Grants not to exceed \$10,000 or the total cost of attendance, whichever is less, may be awarded from the fund to South Carolina residents enrolled in a technical college or professional certification program. Eligible institution or program is defined as those located in this state that do not discriminate and meet all eligibility guidelines set by the State Board for Technical and Comprehensive Education.

Section 4. Section 4 provides a non-refundable tax credit for an individual's contribution to the fund. The tax credit is limited to 60% of the taxpayer's tax liability. The credit applies against the taxpayer's tax liability for the year in which the taxpayer makes the contribution and applies to contributions made after December 31, 2015. Based on the experience of scholarship tax credits in other states, we expect that South Carolina taxpayers will claim the total \$8,000,000 in tax credits allowed in FY 2016-17. This would reduce General Fund revenue receipts from individual and corporate income taxes annually by \$8,000,000 beginning in FY 2016-17.

Section 5. This section would add Section 12-6-3760 to allow a taxpayer to claim a career pathways tax credit if the taxpayer creates an apprenticeship. The nonrefundable tax credit may be claimed for five years beginning in year two as long as the minimum level of five apprenticeships is maintained. The amount of the career pathways tax credit is exactly one-half of the job tax credit amounts pursuant to Section 12-6-3360(B) and is as follows:

- \$4,000 for each new full-time apprenticeship created in “Tier IV” counties
- \$2,125 for each new full-time apprenticeship created in “Tier III” counties
- \$1,375 for each new full-time apprenticeship created in “Tier II” counties
- \$750 for each new full-time apprenticeship created in “Tier I” counties

An apprenticeship created pursuant to this section is not considered a new job pursuant to Section 12-6-3360. The eligible taxpayer may have no more than 500 employees and any unused career pathways tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer. This section takes effect in tax years beginning after 2015 and applies to apprenticeships created after this date.

According to the U.S. Department of Labor, Employment and Training Administration, apprentices make up about 0.3 percent of the total labor force. Based on the latest labor force data from the Bureau of Labor Statistics, there are an estimated 2,229,795 individuals in the civilian labor force in South Carolina. Multiplying 2,229,795 by 0.3 percent yields an estimated 6,689 potential apprentices. Recognizing that some of these individuals are currently employed as apprentices through other various federal and state training programs, there may be an additional 5,000 individuals that may become eligible for workforce training. Because it is difficult to estimate with certainty in which county new apprentices may be found, an estimated average career pathways tax credit of \$1,900 per eligible apprentice is used in the analysis. Multiplying 5,000 potential apprentices by an average career pathways tax credit of \$1,900 yields a reduction of General Fund income tax revenue of an estimated \$9,500,000 in FY 2017-18 and each fiscal year through FY 2021-22.

Local Expenditure

The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and twenty-three county governments regarding the expenditure impact of this bill. The Municipal Association indicates this bill will have a minimal expenditure impact on municipal governments. Since our office received no responses from the counties surveyed, we are not able to determine the expenditure impact on county governments.

Local Revenue

N/A



Frank A. Rainwater, Executive Director