

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-0593	Date: January 28, 2014
Prime Sponsor(s): Rep. Lee; Foote Sen. Todd	Bill Status: House Business, Labor, Economic, and Workforce Development
	Fiscal Analyst: Alex Schatz (303-866-4375)

SHORT TITLE: ADVANCED INDUSTRIES WORKFORCE DEVELOPMENT PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	\$549,439	\$540,610
General Fund	541,807	531,754
Centrally Appropriated Costs**	7,632	8,856
FTE Position Change	0.9 FTE	1.0 FTE
Appropriation Required: \$541,807 - Office of Economic Development (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill creates the Advanced Industries Workforce Development Program (program) in the Office of Economic Development and International Trade (OEDIT). The program reimburses employers with high-level internships and apprenticeships in advanced industry for up to \$5,000 in expenses associated with an intern or apprentice. The bill limits reimbursements to no more than 10 interns or apprentices per company, with no more than \$2,500 of the reimbursement to cover the cost of a stipend to the intern or apprentice.

Qualified employers and positions are reviewed and approved by OEDIT, with reimbursements available as of October 1, 2014. OEDIT must follow up with both the employer and intern after an internship is completed and compile an annual report on November 1 of each year from 2015 through 2017. The program is repealed on July 1, 2020.

For each year from FY 2014-15 through FY 2016-17, the bill requires the General Assembly to appropriate \$450,000 from the General Fund for reimbursements, plus additional appropriations for OEDIT administration. OEDIT may contract with one or more intermediaries to assist with the program.

State Expenditures

The bill results in increased expenditures by OEDIT from FY 2014-15 through FY 2019-20. Total costs for FY 2014-15 will be \$549,439 and 0.9 FTE, and for FY 2015-16 costs will be \$540,610 and 0.9 FTE. Table 1 summarizes new costs for OEDIT administration and employer reimbursements in the next two fiscal years.

Table 1. Expenditures Under HB 14-1013		
Cost Components	FY 2014-15	FY 2015-16
Personal Services	\$51,154	\$55,804
FTE	0.9	1.0
Standard Operating and Capital Outlay Costs	5,653	950
Accounting and Technical Support	4,000	4,000
Intermediaries	21,000	21,000
Software Modifications	10,000	0
Employer Reimbursements	450,000	450,000
Centrally Appropriated Costs*	7,632	8,856
TOTAL	\$549,439	\$540,610

* Centrally appropriated costs are not included in the bill's appropriation.

Assumptions. The fiscal note assumes the General Assembly provides appropriations to support a consistent number of internships for the duration of the program. Personal services and operating costs are based on the assumption that in each fiscal year of the program, at least \$450,000 is expended on at least 90 internship opportunities.

OEDIT—Administration. To perform day-to-day program management, compile reports, survey participants, and other administration, OEDIT will hire a full-time staff person at the beginning of FY 2014-15, adjusted for the pay date shift. Accounting and other technical support are estimated to cost \$4,000 each year. To provide expertise and contacts, OEDIT will budget \$21,000 for intermediaries in each fiscal year, sufficient to offer \$3,000 for assistance in each of seven advanced industry sectors. Finally, one-time modifications to the state's economic development software in FY 2014-15 will incur contractor costs of \$10,000.

OEDIT—Employer reimbursements. At a \$450,000 funding level, the program supports 90 internships earning the maximum reimbursement of \$5,000. The program will support at least this number of internships and is expected to add internships until funding is exhausted each fiscal year.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB 14-1013*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,080	\$4,531
Supplemental Employee Retirement Payments	3,552	4,325
TOTAL	\$7,632	\$8,856

*More information is available at: <http://colorado.gov/fiscalnotes>

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2014-15, the bill requires an appropriation of \$541,807 General Fund to the Governor's Office of Economic Development and International Trade, and an allocation of 0.9 FTE.

Departmental Difference

The fiscal note finds that the bill can be implemented with no state expenditures in the Department of Labor and Employment. The department submitted a fiscal analysis stating that the Colorado Workforce Development Council's (CWDC) workload under the bill will increase by 0.3 FTE, at a cost of \$23,945 General Fund for each fiscal year starting in FY 2014-15.

The department notes that, as articulated in a 2010 Executive Order, the CWDC is responsible for aligning new workforce development programs with existing programs to leverage current efforts and prevent duplication. The department's estimate of 0.3 FTE is based on its experience implementing House Bill 13-1165, a recently enacted workforce development bill (Manufacturing Career Pathways).

The fiscal note is based on a least-cost approach to implementation of legislation. The department and CWDC have no specific role under HB 14-1013 and are nowhere identified in the bill. The department's involvement is not necessary to implement the bill. Any effort on the part of CWDC under the bill is incidental. In addition, the following factors indicate that the bill does not increase state expenditures in the department:

- HB 13-1165, as cited by the department, specifically identified a role for the department. The department did not identify a fiscal impact under HB 13-1165 and no appropriation was provided to implement that legislation.
- No decision item, supplemental request, or other budget action substantiates the effect of HB 13-1165 or any recent legislation on the CWDC. The CWDC's budget and FTE allocation has been stable since FY 2009-10.
- Executive Order B 2010-012 contains no language referencing future legislation and instructed the CWDC to "more effectively align current initiatives" in 2010 and to "undertake such additional functions, responsibilities, and missions promoting the development of the state's workforce as requested by the Office of the Governor."
- Ad hoc addition of workload and General Fund appropriations is contrary to CWDC's statutory budget guidelines at Section 24-46.3-101 (8), C.R.S.

State and Local Government Contacts

Office of Economic Development and International Trade
Office of State Planning and Budgeting
Labor and Employment

Higher Education
Education
Personnel