

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 19** HLS 201ES 40
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 11, 2020 1:53 PM	Author: PRESSLY
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Quality Jobs Program	

TAX/TAX REBATES EG DECREASE GF RV See Note Page 1 of 1
 Extends eligibility requirements for certain industries to participate in the Quality Jobs Program (Item #18)

Present law allows ten years of payroll subsidy to qualifying firms of 4% or 6% of participating payroll depending on hourly wage, as well as a choice of a sales tax rebate on qualifying expenditures or a refundable credit of 1.5% of qualifying capital expenditures. Firms are required to offer a healthcare benefit that meets federally mandated requirements.

Proposed law allows businesses classified as retail trade, restaurants & bars, and accommodations to participate in the program with advance notification filings from July 1, 2020 to December 31, 2021. Eligibility to receive benefits terminates after June 30, 2025.

Effective July 1, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

The expansion of the eligibility of the program to retail trade, restaurants & bars, and accommodations businesses will result in additional applications within the next year and one-half. The workload increase could be substantial. Workforce Commission data for the fourth quarter of 2019 indicates nearly 17,945 retail trade business units in the state, and 11,255 accommodation and food service business units. Additional resources may be required to administer the expansion.

REVENUE EXPLANATION

Expansion of eligibility to the program to retail trade, restaurants & bars, and accommodations could result in substantial state revenue losses. The pool of potentially eligible firms and hires/rehires is large. Workforce Commission data for the fourth quarter of 2019 indicates nearly 17,945 retail trade employer units in the state with 226,979 employees, and 11,255 accommodation and food service employer units with 207,191 employees. Through May 23, 2020, approximately 34% of retail trade employees and 66% of accommodation & food service employees statewide had filed for unemployment compensation. Approximately 41,450 retail trade employees and 80,196 accommodation & food service employees were receiving unemployment compensation by that point. These counts will stabilize, and decline as the economy recovers from the coronavirus pandemic shock. That decline will be reflected in hiring/rehiring of employees regardless of the availability of this program to those businesses.

The extent of qualifying participation in the program is speculative, but the size of the potentially eligible pool of firms and employees suggests a material state revenue loss exposure is possible. This is illustrated with simple assumptions: 10% of the potentially eligible firms qualify for participation (2,920) being rebated 4% of the minimum amount of participating payroll (5 employees at \$18/hour for 30 hours per week for 52 weeks) results in \$16.3 million of state payroll rebate cost exposure. Various realities will influence actual state costs, as the newly eligible businesses must meet the requirements of the existing Quality Jobs Program to qualify, the most significant being the wage and health benefit requirements. While this example uses only 10% of the eligible pool, and the bill allows 1.5 year window for firms to apply for the program, these business sectors are relatively low wage and low/no benefit sectors for many of their employees. Thus, significantly less than 10% participation may occur. Each 1% participation increment of the eligible pool generates roughly \$1.6 million per year of payroll rebate cost exposure. Also, some participants may take advantage of the sales tax or investment rebate benefits of the program, as well.

Uncertainty as to the specific annual magnitude and timing of the effects of the bill should be acknowledged. Program benefit realizations can vary materially from year-to-year depending upon the particular participants moving through the program. In addition, the extent of participation of retail trade, restaurants & bars, and accommodations businesses as they rebuild operations over the next year and one-half is highly uncertain.

As a note, the program provides payments to firms, which are paid from current tax collections without appropriation.

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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John D. Carpenter
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