LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: June 30, 2020 4:02 PM
Author: PRESSLY
Dept./Agy.: Economic Development
Subject: Quality Jobs Program
Analyst: Greg Albrecht

TAX/TAX REBATES EN DECREASE GF RV See Note
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.

Proposed law allows businesses classified as Covid-19 impacted retail trade, restaurants & bars, and accommodations, that have no more than 50 employees nationwide including affiliates, to participate in the program with advance notification filings from July 1, 2020 to December 31, 2021. Further defines covid-19 impacted eligible retail businesses. Eligibility to earn benefits terminates after June 30, 2023.

Effective July 1, 2020.

EXPENDITURES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**5 -YEAR TOTAL**
State Gen. Fd.	INCREASE	INCREASE	INCREASE	$0	$0	**$0**
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				**$0**	**$0**	**$0**

REVENUES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	$0	$0	**$0**
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				**$0**	**$0**	**$0**

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 material, in that LED would have the additional qualifying determination of employee count, nationwide including affiliates. Depending on the number of applications under the bill's parameters additional resources may be required to administer the program 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. Thus, extension of the program to these businesses results in revenue losses associated with the baseline of economic activity. The bill's limitation to firms with no more than 50 employees nationwide, including affiliates, likely greatly reduces the number of eligible firms for the bill's program expansion.

The extent of qualifying participation in the program is speculative, but the size of the potentially eligible pool of firms and employees suggests some state revenue loss exposure is possible. Various realities will influence actual state costs, such as the fact that these business sectors are relatively low wage and provide low or no benefits for many of their employees, and they would still have to meet the wage and health benefits requirements of the existing Quality Jobs Program to qualify. In addition, the bill limits the program to those businesses with no more than 50 employees nationwide including affiliates. However, the bill allows a 1.5 year window for firms to apply for the program. Thus, some additional program costs are possible, and are illustrated with simple assumptions: each 1% of the potentially eligible firms qualifying for participation (292) and 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 $1.6 million per year of state payroll rebate cost exposure. Historically, nearly half of program costs are payroll subsidies. However, given the relatively low average wages/benefits of the newly eligible firms targeted by this bill, additional costs of this bill may be predominately investment credits and sales tax rebates rather than job-based costs. 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 return operations toward pre-pandemic levels over the next year and one-half is highly uncertain.

Senate	Dual Referral Rules	House
☐	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒	13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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