



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3311 Amended by the House of Representatives on March 21, 2017
Author: White
Subject: Pathways Initiative
Requestor: House Ways and Means
RFA Analyst(s): Walling, Martin, Shuford, Wren
Impact Date: March 27, 2017

Estimate of Fiscal Impact

| | FY 2017-18 | FY 2018-19 |
|----------------------------------|-------------------|-------------------|
| State Expenditure | | |
| General Fund | \$29,332,835 | \$0 |
| Other and Federal | \$0 | \$0 |
| Full-Time Equivalent Position(s) | 22.00 | 0.00 |
| State Revenue | | |
| General Fund | Undetermined | \$0 |
| Other and Federal | \$0 | \$0 |
| Local Expenditure | \$0 | \$0 |
| Local Revenue | \$0 | \$0 |

Fiscal Impact Summary

The amended bill will increase recurring General Fund expenditures by \$3,332,835 in FY 2017-18 and each year thereafter and require 22 new positions. The impact to FY 2017-18 non-recurring General Fund expenditures is \$26,000,000. The amended bill is not expected to impact expenditures of the Federal Funds and Other Funds. The bill may increase revenue of the technical colleges for grants from the Career Pathways Grant Fund, but the amount is contingent upon appropriations to the fund.

Explanation of Fiscal Impact

Amended by the House of Representatives on March 21, 2017

State Expenditure

The amendment adds a school district superintendent, a school counselor, and a career technology education director to the Coordinating Council for Workforce Development (council). The State Superintendent of Education (SDE) appoints these three members. The council's responsibilities are expanded to include advising appropriate agencies and governing boards to ensure the components of the South Carolina Education and Economic Development Act are implemented with fidelity. The council shall review accountability and performance measures and make recommendations for the promulgation of regulations on provisions including monitoring and auditing functions and consequences for noncompliance. The due date for the annual progress report to the Governor and the General Assembly is changed from July 1st to September 1st. The Department of Education is added to the list of agencies that provide staff for the council.

This bill as amended establishes the Pathways Initiative (initiative), to improve employment outcomes and address critical workforce development needs statewide. The initiative will be implemented by the member agencies of the council in alignment with the South Carolina Education and Economic Development Act. Expected outcomes of the initiative include a Career Pathways program, a Pathways to New Opportunities program, a Workforce Scholarship and Grant Fund, and by September 15th of each year an annual report prepared by the Coordinating Council for Workforce Development provided to the Chairman of the Senate Finance Committee and the Chairman of House Ways and Means Committee of the initiative's accountability measures and key performance indicators. The bill outlines the purpose, responsibilities, and eligibility requirements for each program.

The State Board for Technical and Comprehensive Education. The State Board for Technical and Comprehensive Education (SBTCE) is directed to coordinate the development and implementation of the Career Pathways program, in consultation with the State Department of Education. The purpose of the Career Pathways program is to facilitate a seamless transition from secondary education and postsecondary technical education to employment in industry sectors with critical workforce needs. The SBTCE is also directed to administer the Career Pathways Grant Fund and the Workforce Opportunity Scholarship and Grant Fund and maintain eligibility criteria for the grants and scholarships. The Career Pathways grant is intended to provide eligible technical colleges the necessary infrastructure needed to offer the Pathways program and is awarded to technical colleges that demonstrate the strongest ability to meet grant criteria. The Workforce Opportunity Scholarship and Grant Fund is to be used for tuition and education-related expenses for eligible career training and certification programs for qualifying individuals. The SBTCE must submit an annual report on the Career Pathways program and grant fund to the council by September 1st of each year. The SBTCE must provide a list of approved programs that accept grants on its website annually by August 1st.

SBTCE indicates this amended bill will increase recurring General Fund expenditures by \$2,634,000 in FY 2017-18 and each year thereafter. Of the recurring amount, \$1,768,000 will pay the salary and employer contributions for one new position at each of the 16 colleges, \$188,500 for the salary and employer contributions for two new positions at the central office, and \$677,500 for marketing, certification fees, and other administrative expenses. The new position at each of the 16 technical colleges will ensure the desired performance measures and outcomes of the initiative are met. The two positions in the central system office will ensure the coordination of the colleges and system as a whole. Non-recurring General Fund expenditures will increase by \$26,000,000. This amount consists of an average of \$1,000,000 for equipment and \$625,000 for up-fit and repurposing of labs and classrooms at each of the 16 colleges. In total, SBTCE estimates this amended bill will increase expenditures of the General Fund by \$28,634,000 and require 18 new positions in FY 2017-18 and \$2,634,000 in FY 2018-19 and each year thereafter.

Department of Education. The bill as amended adds a school district superintendent, a school counselor, and a career technology education director to the Coordinating Council for Workforce Development. The State Superintendent of Education appoints these three members. The Coordinating Council's responsibilities are expanded to include advising appropriate agencies and governing boards to ensure the components of the South Carolina Education and Economic

Development Act are implemented with fidelity. The Coordinating Council shall review accountability and performance measures and make recommendations for the promulgation of regulations on provisions including monitoring and auditing functions and consequences for noncompliance. The Department of Education is added to the list of agencies that provide staff for the Coordinating Council.

The department is required to develop and implement, in conjunction with the State Board for Technical and Comprehensive Education, the statewide Pathways to First Careers program. This program is to facilitate a seamless transition from education to employment in industries with critical workforce shortages.

The department is also required to coordinate with the State Board for Technical and Comprehensive Education, the Department of Commerce, and the Department of Employment and Workforce to develop and implement the Pathways to New Opportunities program to provide subsidized career training, certification, and job placement assistance to adults pursuing careers in high demand jobs in critical need industries.

The department indicates that additional General Fund expenditures for these two programs would total \$380,866 in FY 2017-18. The expenditures include the following:

- \$205,416 for two FTE positions to administer the development and implementation of the two programs. This expenditure includes salary of \$69,289 plus \$28,599 employer contributions for each position. Travel, supplies and technology costs for both positions would amount to \$9,640.
- \$175,450 for travel, printing, and web expenditures for the new Career Cluster Guides to provide web and printed materials to increase the students' ability to successfully complete a certification or degree regardless of where a student may eventually graduate.

The department also expects to allocate \$13,210,000 to the school districts for the following items from a portion of the \$13,798,983 recurring Education Improvement Act appropriation to modernize vocational equipment. The expected expenditures include the following:

- \$1,640,000 allocated to the school districts for the cost of industry certifications and exams for the Pathways to New Opportunities program.
- \$500,000 allocated to the school districts for adult education for the cost of industry certifications and exams.
- \$10,250,000 allocated to the school districts to purchase equipment for career development and workforce readiness programs. At least thirty percent of these funds are directed to school districts or multidistrict career centers.
- \$820,000 allocated to the school districts for instructional materials.

Department of Commerce. The department is responsible for assisting in the coordination of the Pathways to New Opportunities program that will provide subsidized career training and certification and job placement assistance to adults. The department indicates that this bill will increase General Fund expenses by \$150,000. This amount includes \$60,000 for the salary and

fringe of one new position for staffing the Coordinating Council for Workforce Development. The remaining amount will be used for other operating expenses.

Department of Employment and Workforce. The department indicates the as amended will result in an expenditure impact to the General Fund of \$167,969. The expenditure costs are \$69,468 salary and employer fringe for a Program Coordinator and \$98,501 for other operating expenses. Other operating expenses include supplies, communications, postage, travel, equipment rental and expense, premises rent and expense, technology support, and indirect costs. DEW based these costs on a similar program coordinator supporting a program analogous to the Pathways to New Opportunities Initiative proposed in the bill.

State Revenue

The bill establishes the Career Pathways Grant Fund to provide grants to technical colleges for infrastructures needed to offer the Pathways program. Funding for the program will depend upon appropriations. Any potential increase in revenue to the technical colleges will depend upon funding and is undetermined.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 10, 2017

State Expenditure

This bill establishes the Pathways Initiative (initiative), to improve employment outcomes and address critical workforce development needs statewide. The initiative will be implemented by the State Board for Technical and Comprehensive Education (SBTCE), the Department of Education (SDE), the Department of Employment and Workforce (DEW), and the Department of Commerce (DOC). Expected outcomes of the initiative include a statewide Pathways to First Careers program, a Pathways to New Opportunities program, a Workforce Scholarship and Grant Fund, and by February 1st of each year an annual report prepared by the Coordinating Council for Workforce Development provided to the Chairman of the Senate Finance Committee and the Chairman of House Ways and Means Committee of the initiative's accountability measures and key performance indicators. The bill outlines the purpose, responsibilities, and eligibility requirements for each program and places the responsibility of administering the programs with the SBTCE in coordination with the SDE, DEW, and DOC.

The State Board for Technical and Comprehensive Education. The board is directed to coordinate the development and implementation of the statewide Pathways to First Careers program and the Pathways to New Opportunities Program. The board is also directed to administer the Workforce Scholarship and Grant Fund, including development and maintenance of eligibility criteria for scholarships and grants.

The Pathways to First Careers program facilitates a seamless transition from education to employment in industries with critical workforce shortages and provides funding for

infrastructure, equipment, facilities, instructional materials, transportation, and tuition grants. School districts that lack adequate career development and workforce readiness programs will receive 30 percent or more of funding provided to the program with the remaining funding used to establish programs in all regions of the state. The Pathways to New Opportunities program will provide subsidized career training and certification and job placement assistance to adults.

The Workforce Scholarship and Grant Fund, established pursuant to Section 59-53-110 will provide eligible individuals with tuition and education-related expenses for eligible career training and certification programs. Grants awarded from this fund will not exceed the lesser of ten thousand dollars or the total cost of attendance.

SBTCE indicates this bill will increase recurring General Fund expenditures by \$3,518,000 in FY 2017-18 and each year thereafter. Of the recurring amount, \$2,600,000 will pay the salary and employer contributions for two new positions at each of the 16 colleges, \$240,500 for the salary and employer contributions for three new positions at the central office, and \$677,500 for marketing, certification fees, and other administrative expenses. The two new positions at each of the 16 technical colleges will ensure the desired performance measures and outcomes of the initiative are met. The three positions in the central system office will ensure the coordination of the colleges and system as a whole. Non-recurring General Fund expenditures will increase by \$26,000,000. This amount consists of an average of \$1,000,000 for equipment and \$625,000 for up-fit and repurposing of labs and classrooms at each of the 16 colleges.

Department of Education. The department is required to develop and implement, in conjunction with the State Board for Technical and Comprehensive Education, the statewide Pathways to First Careers program. This program is to facilitate a seamless transition from education to employment in industries with critical workforce shortages.

The department is also required to coordinate with the State Board for Technical and Comprehensive Education, the Department of Commerce, and the Department of Employment and Workforce to develop and implement the Pathways to New Opportunities program to provide subsidized career training, certification, and job placement assistance to adults pursuing careers in high demand jobs in critical need industries.

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- \$1,640,000 allocated to the school districts for the cost of industry certifications and exams for the Pathways to New Opportunities program.
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Department of Commerce. The department is responsible for assisting in the coordination of the Pathways to New Opportunities program that will provide subsidized career training and certification and job placement assistance to adults. The department indicates that this bill will increase General Fund expenses by \$150,000. This amount includes \$60,000 for the salary and fringe of one new position for staffing the Coordinating Council for Workforce Development. The remaining amount will be used for other operating expenses.

Department of Employment and Workforce. The bill directs the department to coordinate with appropriate entities to identify and refer eligible individuals to the training programs and scholarship opportunities. In addition, the department is directed to develop and implement a plan to facilitate the job placement of eligible individuals. The department reports the potential impact of this bill cannot be reasonably estimated until the full scope of the agency's specific responsibilities have been formulated and detailed by the Coordinating Council for Workforce Development.

State Revenue

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 as defined in the National Apprenticeship Act. This act defines apprenticeship as a combination of on-the-job training and related instruction in which workers learn the practical and theoretical aspects of a highly skilled occupation. The nonrefundable tax credit may be claimed for five years. The apprentice must be employed for at least seven months to be eligible for the credit in year one. The amount of the career pathways tax credit is exactly one-half of the job tax credits 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, and
- \$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. There is no limitation on the number of employees that an eligible taxpayer may employ. 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 2017, 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 2,282,714 individuals in the civilian labor force in South Carolina. Multiplying 2,282,714 by 0.3 percent yields an estimated 6,848 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 FY2018-19, and each fiscal year thereafter.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director