

March 22, 2023

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1479 (Weber), 1st Engrossment

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
General Fund	(\$60)	(\$60)	(\$60)	(\$60)

The appropriation is effective for fiscal year 2024 and available until June 30, 2028.
The credit is assumed effective beginning with tax year 2023.

EXPLANATION OF THE BILL

Current Law: A pilot Workforce Development Scholarship program was created in 2017 to encourage further enrollment in advanced manufacturing, agriculture, health care services, and information technology. The program began with an appropriation of \$1 million in fiscal year 2019 and was later extended and expanded. There is an annual appropriation of \$4 million per year beginning in fiscal year 2022.

The program provides scholarships to students in certain high-demand fields. The program allows resident students to receive two years of support up to \$5,000 for four semesters. It also provides for a third year of \$2,500 if they complete a two-year degree in an eligible industry. Each institution may add another area of study or certification based on a full-time employment shortage unique to their region that requires postsecondary education and has a vacancy rate above the state average.

Proposed Law: The bill creates a similar pilot program focused on specified counties in southwestern Minnesota. Both resident and nonresident students may participate if they complete their postsecondary education at a Minnesota West college campus.

A student may receive a second scholarship only after completing their program and three years of full-time employment with either their sponsoring employer or another qualifying employer in one of the included counties. If a scholarship recipient fails to satisfy the terms of their scholarship, their scholarship shall be converted into a loan used to fund additional scholarships.

In granting scholarships priority is given to program continuing applicants, followed by employer-sponsored applicants. Employer-sponsored applicants are those with a local employer scholarship of at least 25% of the workforce development scholarship. The Southwest Initiative Foundation and Minnesota West colleges must work to establish partnerships with qualified local employers to ensure a percentage of the appropriated state funds are matched equally with employer funds.

EXPLANATION OF THE BILL (Cont.)

The bill creates a nonrefundable credit against the individual income tax or corporate franchise tax for qualified local employers who contribute funding for scholarships. The credit is equal to 50% of the local employer's awarded to an employer sponsored applicant, up to \$10,000 per applicant per tax year.

The bill appropriates \$700,000 in fiscal year 2024 for a grant to the Southwest Initiative Foundation, to be used to fund scholarships for the pilot program. The appropriation is available until the end of fiscal year 2028.

REVENUE ANALYSIS DETAIL

- The estimate assumes that 100% of the \$700,000 appropriation will be matched by employer contributions. Contributions are assumed to be spread evenly over the five-year period from fiscal year 2024 through fiscal year 2028.
- An employer may receive a maximum credit up to 50% of their contributions.
- The estimated impact was reduced by 15% because the credit is nonrefundable.
- Tax year impacts were allocated to the following fiscal year.

Minnesota Department of Revenue
Tax Research Division
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