DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 2, 2023

Honorable Shaw Blackmon
Chairman, House Ways & Means Committee
133 State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 14 (LC 43 2627)

Dear Chairman Blackmon:

The bill would provide a state income tax credit to small business employers who hire certified graduates of the workforce-ready program for high-tech jobs. These credits will total $9,600 for each graduate employed full time for at least 40 weeks during a 12-month period. Credits utilized cannot exceed an employer's tax liability but can be carried forward for up to three years. The Georgia Department of Labor (GDOL) will establish the criteria for the certification of programs and graduates. The credits are applicable beginning taxable years beginning on or after January 1, 2024.

Impact on State Revenue
Georgia State University's Fiscal Research Center (FRC) was unable to estimate the bill's impact on state revenue. FRC stated that "because the criteria for certification of workforce-ready programs and graduates are to be determined at a later time by GDOL, it is not feasible to provide a reasonably reliable projection of the revenue cost of the proposed credit at this time. The appendix, however, does provide estimates of the overall amount of employment in the state in the job types specified in the definition of 'high-tech full-time job' that may be at the entry level, providing an idea of the size of the potential pool of credit-eligible jobs."

Impact on State Expenditures
The bill will result in additional costs for both the Department of Labor (GDOL) and the Department of Revenue (DOR).

- *Georgia Department of Labor* – GDOL estimates that the new program will increase state expenditures by approximately $2 million annually. This includes $1.55 million for 18 new Service Specialists and $450,000 for operating expenses. The estimate assumes approximately 9,000 participating graduates each year and 18,000 eligible employers.

  In addition to ongoing expenses, approximately $80,000 in one-time costs would be incurred for the purchase of office equipment for new staff members.

  There are additional factors that may impact the cost of implementing this bill but are unknown at this time. These are described below.

GDOL noted that the bill lacks defined criteria for academic programs which could qualify as a certified workforce readiness program. Consequently, the number of potentially eligible programs could impact agency workload and staffing needs differently than assumed here.

- *Georgia Department of Revenue* – DOR provided an estimate for an earlier version of the bill (LC 43 2479). Adjusting the original cost estimate for the number of graduates estimated by GDOL, we estimate that DOR would require approximately $208,000 annually for two additional audit staff, as well as one-time funding of $6,000 for equipment and supplies.

  GDOL would use existing resources to make information system changes. The agency estimated that the changes would require approximately 16 weeks, equating to $181,000 in personnel cost.

Respectfully,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/ahs

Analysis by the Fiscal Research Center

LC 43 2627 proposes to create a new state tax credit based on the hiring on or after January 1, 2024, of workforce-ready graduates into high-tech full-time jobs, as defined to mean employment:

- located in Georgia;
- as a data scientist, software developer, information security analyst, web developer, computer sales engineer, information technology manager, computer research scientist, network and systems administrator, or computer support specialist;
- by a small business as such term is defined in O.C.G.A. §50-5-121;
- involving a regular work week of 30 hours or more;
- having no predetermined end date; and
- pays at or above the average hourly wage of the county with the lowest average hourly wage in the state, as determined by DOL.

A 'small business' is defined by O.C.G.A. §50-5-121 in three tiers based on employment or annual gross receipts, the largest of which would be the constraining meaning for purposes of the proposed credit. Based on that definition, the small-business condition would be met if the employer "has 300 or fewer employees or $30 million or less in gross receipts per year."

Once hired, provided the workforce-ready graduate remains in the qualifying job for at least 40 weeks in a 12-month period, the employer is eligible to claim a credit in the amount of $9,600 for each workforce-ready graduate hired.

Criteria for certification as a workforce-ready graduate are undefined beyond being a graduate of a workforce-readiness program certified by GDOL, the criteria for which are also undefined. Criteria for certification of both programs and graduates are to be established by GDOL by January 1, 2024. Guidance received from GDOL on this question was limited to the statement that consideration would be given to programs offering "focused coursework in fields that today's employers need to increase productivity and stabilize their workforce." GDOL also acknowledged that programs at the high school level, as well at post-secondary institutions, may ultimately be certified.

The proposed law does not limit the number of programs that may be certified, and once criteria are set and programs begin to be certified, any number of secondary and post-secondary schools in the state could conceivably replicate the course offerings and other required elements of already-certified programs, so the number of certified programs is constrained only by GDOL's ability to process applications. Guidance from GDOL on the question of numbers of programs was limited to a suggestion of assuming "an initial goal of programs at 5 high schools, 5 USG institutions, and 5 Technical Colleges as a starting marker."

The bill also does not specify how long a certified workforce-ready graduate would maintain that status after becoming certified, thus absent regulatory limits, it is possible that under this bill, the same worker could qualify successive employers for the credit if they change jobs after the 40th week. Guidance from GDOL on this question indicated that "the certifications should likely expire in 18 - 30 months to encourage educational institutions to attract and offer these courses that will continuously feed critically needed, qualified workers to waiting employers."

Beyond administrative capacity at GDOL, the primary limiting factor for the potential tax expenditure cost of the credits is the number of credit-eligible jobs in the state; that is, primarily entry-level positions in the specified job classifications in businesses with 300 or fewer employees or no more than $30 million of annual sales. However, though entry-level jobs are the most likely to be filled by new graduates of secondary or post-secondary institutions offering workforce readiness

programs, nothing in the law restricts eligibility to entry-level jobs and some of the specified job classifications appear to be primarily higher-level positions – e.g., IT managers, computer sales engineers, etc.

Nevertheless, the number of entry-level jobs in the listed job classifications can provide a rough indication of the potential magnitude of the revenue effect of the credit. Unfortunately, available employment data by detailed job classification (from the U.S. Bureau of Labor Statistics, hereafter BLS) do not break down employment by required years of experience, rather by age of the worker (as well as state and employment size of the business). We thus estimate the number of such entry-level jobs in the state as those held by workers in the two youngest age groups reported, those ages 16-19 and 20-24.

Table 1 below shows the latest available BLS estimates of employment in Georgia for each of the closest identified job classification matches in the BLS Occupational Employment and Wage Statistics (OES) tables to the job titles specified in the bill. Note that there is not exact correspondence between the job titles listed in the bill and OES job classifications. Though later regulation may interpret the eligible job types more narrowly, we include job classifications that appear to meet the spirit of the definition even if not a close match to a specific job title in the bill.

Table 1. State Employment by OES Job Classification, Firm Size, and Worker Age

OES Job Code	Description	Employment: Georgia	≤ 300 Employees	Age 16-24
11-3021	Computer and Information Systems Managers	13,185	8,667	133
15-1211	Computer Systems Analysts	14,760	9,988	539
15-1212	Information Security Analysts	5,290	3,708	268
15-1221	Computer and Information Research Scientists	410	410	20
15-1231	Computer Network Support Specialists	3,765	2,156	116
15-1232	Computer User Support Specialists	20,950	14,289	1,472
15-1241	Computer Network Architects	6,415	4,261	230
15-1242	Database Administrators	3,680	2,519	136
15-1243	Database Architects	1,180	740	40
15-1244	Network and Computer Systems Administrators	9,310	6,270	177
15-1251	Computer Programmers	3,585	2,496	135
15-1252	Software Developers	45,250	30,633	1,998
15-1253	Software Quality Assurance Analysts and Testers	4,350	2,785	150
15-1254	Web Developers	1,445	975	48
15-1255	Web and Digital Interface Designers	2,110	1,224	66
15-1299	Computer Occupations, All Other	13,950	10,747	579
15-2051	Data Scientists	3,345	2,268	123
17-2061	Computer Hardware Engineers	1,325	831	45
41-9031	Sales Engineers	2,030	1,435	70
Total		156,335	106,402	6,345

In addition to total Georgia jobs in each OES job classification, the table shows the estimated number in firms with 300 or fewer employees and, out of those, the number in the 24-and-under age group. Using the age 16-24 total jobs as a proxy for entry-level jobs in the listed job classifications and assuming new workers are certified workforce-ready graduates, these jobs represent approximately $61 million of credits for employers. Again, this number will be low to the extent that workers aged 25 or older seek training in certified programs in order to enter or advance within a high-tech career field.

The annual revenue cost would depend on job growth in these job types as well as on the share of these jobs that become open each year through ordinary turnover, as workers advance out of entry-level jobs or leave, and are replaced by new workforce-ready graduates. Sufficient data for an annual revenue cost estimate are not available.