

LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

ASSEMBLY, No. 583

STATE OF NEW JERSEY 220th LEGISLATURE

DATED: JUNE 30, 2023

SUMMARY

- Synopsis:** “New Jersey Works Act”; concerns businesses and pre-employment training programs; provides tax credit to businesses supporting pre-employment training programs; appropriates \$3 million.
- Type of Impact:** Annual net State revenue decrease to the General Fund and Property Tax Relief Fund.
- Agencies Affected:** Department of Labor and Workforce Development.
Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
Direct State Revenue Loss	Up to \$12,000,000
Indirect State Revenue Gain	Indeterminate

- The Office of Legislative Services (OLS) concludes that this bill will result in an annual net decrease in State revenues. Several factors, such as the amount of assistance provided to pre-employment and work readiness training programs and the number of participants that receive employment following program completion will impact the specific magnitude of the direct and indirect State revenue effects of the bill.
- The direct State revenue loss may be partially offset by the indirect State revenue effects catalyzed through new training and employment opportunities, such as additional State revenues from program participants hired by business entities that provide assistance to pre-employment and worker readiness training programs. In contrast, the fiscal effects generated by employment opportunities by credit-receiving businesses that will be created irrespective of the tax credit award cannot be attributed to the bill.
- The bill appropriates \$3 million to the Department of Labor and Workforce Development to effectuate the purposes of the bill. If the full \$3 million is not expended in the first year the bill is in effect, the remaining amount will be spent in future years until all funding is exhausted.

BILL DESCRIPTION

The bill incentivizes businesses to establish pre-employment and work readiness training programs together with certain types of educational institutions or with nonprofit organizations. Under the bill, a business may receive a credit against the corporation business tax or gross income tax for 100 percent of the financial assistance provided to support a qualified pre-employment and work readiness training program approved by the Department of Labor and Workforce Development. Businesses engaged in a construction trade are excluded from participating in the program.

A maximum of \$12 million in tax credits per State fiscal year are allowed to be granted to taxpayers for assistance provided to an institution of higher education, a comprehensive high school, a vocational school, or a nonprofit organization for an approved pre-employment and work readiness training program.

The bill requires the Department of State to conduct a study of the efficacy of the training programs and tax credits following two years from the date of enactment of the bill and to report the findings to the Governor and the Legislature. The bill appropriates \$3 million to the Department of Labor and Workforce Development to effectuate the purposes of the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will result in an indeterminate annual net loss of State revenues to the General Fund and Property Tax Relief Fund beginning in FY 2024. Multiple factors will influence the magnitude of the direct and indirect revenue effects of the bill.

The bill permits the awarding of \$12 million in tax credits to business entities that provide financial assistance to an approved pre-employment and worker readiness program. The bill requires program participants to receive the State minimum wage for 12 weeks of paid training. Trainees may also receive employment at the business entity which provided assistance to support the program. If a program participant is subject to the gross income tax or spends the resultant income on goods and services that are subject to the sales and use tax, then a portion of the revenue loss will be offset by State revenue collections.

Actual annual revenue losses will be driven by the total amount contributed by business entities to approved pre-employment and worker readiness training programs. The OLS cannot predict how many business entities will support a pre-employment and worker readiness training program or the total amount of assistance that will be provided to these programs. The bill's limitation on the costs or expenses eligible for the tax credit may further dampen the bill's impact on State revenues.

Section: Revenue, Finance, and Appropriations
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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).