

March 25, 2024

	Yes	No
DOR Administrative Costs/Savings	X	

Revised to Correct Appropriation Fund

Department of Revenue
Analysis of S.F. 3223 (Pratt) 1st Engrossment, As Proposed to be Amended (SC3223A-3)

	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				
Employer Scholarship Credit	\$0	(\$40)	(\$40)	(\$40)
Workforce Development Fund				
Appropriation	<u>(\$700)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
All Funds—Total	(\$700)	(\$40)	(\$40)	(\$40)

Effective the day following the final enactment.

EXPLANATION OF THE BILL

Proposed Law: The bill creates a Shakopee Workforce Development Scholarship Pilot program that provides scholarships to eligible post-secondary students who would fulfill a three-year full-time employment commitment with a local employer in a high-demand occupation defined within the program.

A high-demand occupation is an occupation with a job vacancy rate within the economic development region that is higher than the state average vacancy rate for that occupation, as reported in the most recent job vacancy survey by the Department of Employment and Economic Development (DEED).

To be eligible for the program scholarship, a student needs to meet the following requirements:

- Be enrolling or enrolled at least half-time in a program at a Minnesota state college and university that is approved by the Dakota-Scott Workforce Development Board;
- Complete the Free Application for Federal Student Aid (FAFSA), if applicable to the program they are enrolling or enrolled in.

Upon being awarded the scholarship, the student must:

- Comply with any applicable participating local employer program requirements; and
- Sign a contract agreeing to fulfill the three-year full-time employment commitment.

If a recipient of the scholarship fails to fulfill the above requirements, the foundation may convert the scholarship to a loan, which upon being paid, would be used to fund the program.

EXPLANATION OF THE BILL (Cont.)

A one-time amount of \$700,000 would be appropriated from the workforce development fund to the commissioner of employment and economic development as a grant for the scholarship program in fiscal year 2024. Up to 10% of the appropriation could be used for administrative expenses.

The Shakopee Chamber Foundation, a nonprofit organization that provides workforce and charitable services to Scott County and the Shakopee Mdewakanton Sioux Community, would administer the grant funds and fulfill other requirements specified in the bill.

The Foundation would also establish partnership with local employers to ensure that 25% of the state-paid scholarship is matched with funds from local employers. A local employer is an employer whose physical location is in Scott County or the Shakopee Mdewakanton Sioux Community.

Employers who provide scholarships to eligible students could claim a refundable credit equal to the amount of the matched funds. The credit may be claimed against the individual income tax or corporate franchise tax. The credit expires after tax year 2028.

If there is not enough funding for all eligible applicants, priority is given to continuing applicants, and then to employer-sponsored applicants. “Employer-sponsored applicant” means a student applicant with a local employer scholarship.

The Dakota-Scott Workforce Development Board must annually identify and approve the list of degree, diploma, or certificate or industry-recognized credential programs in Minnesota colleges and universities that are eligible for the scholarships in the following year. The amount appropriated must supplement traditional sources of funding.

REVENUE ANALYSIS DETAIL

- According to Job Vacancy Survey from Department of Employment and Economic Development in quarter 2, 2019, there are about 240 occupations in the Economic Development Region 11 (which includes Scott County) that have a higher vacancy rate than the state-wide vacancy rate. These would be considered high-demand occupations.
- The credit is estimated to be 25% of the \$700,000 appropriation, minus 10% for administrative expenses.
- The credit may be claimed in tax years 2024 through 2028. This estimate assumes that the credits will be spread evenly across four years.
- Tax year impacts are allocated to the following fiscal year.

Number of Taxpayers: The number of local employers that would claim the credit is unknown.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
revenue-analyses](https://www.revenue.state.mn.us/revenue-analyses)