

## **Kansas Apprenticeship Act and Engineering Graduate Incentive Grants; HB 2292**

**HB 2292** creates the Kansas Apprenticeship Act (Act), which establishes a tax credit and grant incentive programs for apprenticeships and creates a matching grant program within the Department of Commerce to provide grants to eligible institutions of higher education based on the number of engineering program graduates of the institution.

### ***Apprenticeship Tax Credit (Kansas Apprenticeship Act)***

#### *Tax Years 2023, 2024, and 2025*

The bill allows an eligible employer to claim the apprenticeship tax credit for tax years commencing after December 31, 2022, and ending before January 1, 2026, if the eligible employer employs an apprentice:

- Pursuant to a registered apprenticeship agreement;
- In accordance with a registered apprenticeship plan for all or a portion of the probationary period, as defined for that apprenticeship in the registered apprenticeship standards, work process schedule otherwise known as appendix A, or as designated by the Secretary of Commerce (Secretary);
  - [Note: The bill defines “Secretary” to mean the Secretary of Commerce or the Secretary’s designee, including the Director of the Office of Registered Apprenticeship or any successor, designated by the Secretary to administer the Act.]; and
- At the time such probationary period is completed.

The bill requires the tax credit to be claimed by an eligible employer for the taxable year in which the apprentice completed the probationary period or the taxable year succeeding the calendar year in which the apprentice completed the probationary period while employed by the eligible employer, as determined by the Secretary and set forth in the agreement with the Secretary.

The bill allows subsequent tax credits to be claimed for up to three successive calendar years after the date on which the probationary period of the apprentice was met by any eligible employer who subsequently employs such apprentice in all or a portion of the year. The bill requires the tax credit to be claimed by an eligible employer for the taxable year in which the apprentice was employed or the taxable year succeeding the calendar year in which the apprentice was employed by the eligible employer, as determined by the Secretary and set forth in the agreement with the Secretary.

The Secretary of Revenue, in consultation with the Secretary, is required to establish a scale reflecting the ranges of wages and other expenditures an eligible employer has invested in an apprentice and a corresponding tax credit amount. The amount of the tax credit awarded is to be in accordance with the scale, up to \$2,500 for each apprentice employed.

The tax credit may be awarded for up to 20 apprentices employed in each taxable year per eligible employer and is not to be awarded for employment of the same apprentice more than 4 times.

#### *Tax Years After December 31, 2025*

For tax years commencing after December 31, 2025, the bill allows an eligible employer to claim the apprenticeship tax credit, if the eligible employer employs an apprentice:

- Pursuant to a registered apprenticeship agreement; and
- In accordance with a registered apprenticeship plan for a continuous period of time constituting at least 25.0 percent of the apprenticeship time period required by the registered apprenticeship program.

The bill requires the tax credit to be taken in the tax year next succeeding the calendar year in which the employment requirement to claim the credit is met.

The eligible employer may claim the tax credit in successive tax years based on up to a cumulative total of four successive calendar years of employment for an individual apprentice.

The amount of the tax credit is up to \$2,750 for each employed apprentice, not to exceed 20 such credits in any taxable year per eligible employer. The Secretary may authorize a credit for employment of less than a full calendar year pursuant to rules and regulations adopted by the Secretary.

#### *Career and Technical Education (CTE) Program*

In addition to the credit allowed for an apprentice in tax years commencing after December 31, 2025, the bill also allows an eligible employer to claim a tax credit for an apprentice who is enrolled in a secondary or postsecondary CTE program, is under 18 years of age at the time the credit is claimed, has been employed by the eligible employer for at least 90 days, and is participating in:

- An apprenticeship program registered with the Secretary and funded through the Carl D. Perkins Career and Technical Education Act of 2006, as revised by the Strengthening Career and Technical Education for the 21st Century Act;
- An adult basic education and literacy program funded under Title II of the Workforce Innovation and Opportunity Act; or
- A public workforce program funded under Title I and Title III of the Workforce Innovation and Opportunity Act.

An eligible employer is required to claim the credit in the taxable year next succeeding the calendar year in which the requirements to claim the credit are met.

The bill limits the amount of the credit to not exceed \$500 and limits the number of credits an eligible employer may claim per tax year to no more than 10 credits.

### *Limitations*

The bill limits the aggregate amount of all tax credits for all eligible employers issued under the Act to \$7.5 million each taxable year.

Tax credits are not refundable or transferable and are to be claimed on a pro-rata basis by the owners of eligible employers that are entities taxed under subchapter S or K of the federal Internal Revenue Code, limited liability companies, or professional corporations authorized to do business in the state.

### *Agreement with the Secretary of Commerce*

The bill requires eligible employers to enter into an agreement regarding the employment of apprentices with the Secretary on such terms and conditions as the Secretary may require. The agreement is required to:

- Set forth the amount per credit or amount of cumulative credits an employer may earn based on specified conditions or attainment of specified employment or training goals and any other conditions for such credits;
- If applicable, set forth the relevant provisions of the scale reflecting the ranges of wages and other expenditures an eligible employer has invested in an apprentice and a corresponding tax credit amount, as determined by the Secretary of Revenue in consultation with the Secretary; and
- Require the eligible employer to provide such information as required by the Secretary or Secretary of Revenue for purposes of substantiating eligibility for the tax credit, the development and expansion of apprenticeships in the state and the report required under the Act.

If an agreement is approved by the Secretary, the eligible employer is required to submit such information in the manner and form as prescribed by the Secretary and Secretary of Revenue to demonstrate eligibility for the credit each tax year a credit is claimed. The eligible employer is also required to meet the requirements of any rules and regulations of the Secretary or Secretary of Revenue.

### *Duties of Secretary of Commerce*

The Secretary is required to advise the Secretary of Revenue of the potential tax credits available to the eligible employer. The Secretary is also required to certify eligible employers to the Secretary of Revenue before a tax credit may be awarded.

The Secretary is required to consult with the Secretary of Revenue, Kansas postsecondary technical education authority and educational institutions, technical schools,

secondary schools, business or industry associations, and other appropriate entities to coordinate implementation, administration, and development of apprenticeship programs in the state, including through the use of apprenticeship tax credits.

The Secretary is required to provide an annual report before January 31 of each year to the House Committee on Commerce, Labor and Economic Development and the Senate Committee on Commerce to account for the effectiveness of the Act. The report is required to include information regarding:

- The number and type of eligible employers, eligible nonprofit employers, and eligible health care employers;
- The number and type of apprenticeships incentivized;
- The amount of tax credits and grants issued and the amounts issued per industry and per eligible employer, eligible nonprofit employer, and eligible health care employer;
- Results of the program, including information on the employment of individuals following the participation in an apprenticeship program, the extent and nature of coordination and efforts with other entities to develop apprenticeship programs, and the effect of such efforts on the tax credits and grants on apprenticeship program development; and
- Other information requested by the respective committees.

### *Rules and Regulations*

The bill authorizes the Secretary or the Secretary of Revenue to adopt rules and regulations as necessary to establish standards for participation and eligibility and to implement and administer the Act.

### *Union Affiliation*

The bill stipulates that participation of an employee with an apprenticeship program under the Act and registration with the Secretary does not constitute union affiliation, unless the employee expressly elects to affiliate with a union.

### ***Kansas Nonprofit Apprenticeship Grant Program (Kansas Apprenticeship Act)***

The bill also creates the Kansas Nonprofit Apprenticeship Grant Program (Program) and authorizes the Secretary to develop and administer the Program to award grants to eligible nonprofit employers and eligible nonprofit health care employers that employ an apprentice pursuant to a registered apprenticeship agreement and in accordance with a registered apprenticeship plan for the purpose of covering administrative costs of registered apprenticeship programs. The Secretary is required to develop application procedures, forms, and grant award

terms, conditions, and criteria and consult with appropriate state agencies, institutions, nonprofit organizations and associations, private health care associations, nonprofit Kansas health care providers, and other appropriate entities in developing the Program.

To be eligible for grants under the Program, an eligible nonprofit employer or eligible nonprofit health care employer is required to enter into an agreement with the Secretary to employ an apprentice for the same period of time as the probationary period, as defined for the apprenticeship in the registered apprenticeship program standards, or a continuous period of time constituting at least 25.0 percent of the apprenticeship time period required by the registered apprenticeship program. The Secretary may authorize employment of an apprentice for less than a full year.

The bill requires grants to be awarded pursuant to an agreement with the eligible nonprofit employer or eligible nonprofit health care employer upon such terms and conditions as the Secretary requires and may include program development or employment or training goals in addition to specified employment requirements with respect to an apprentice.

The bill limits the grant amount to \$2,750 per apprenticeship per taxable year, not to exceed 4 successive years, and limits the number of grants to no more than 20 per eligible nonprofit employer or per eligible nonprofit health care employer per taxable year.

#### ***Kansas Nonprofit Apprenticeship Grant Program Fund***

The bill creates the Kansas Nonprofit Apprenticeship Grant Program Fund (Fund) to be administered by the Secretary. All moneys credited to the Fund are to be used to provide grants for the administration of apprenticeship programs by eligible nonprofit employers and eligible nonprofit health care employers in Kansas.

On July 1, 2023, and each July 1 thereafter, the bill requires, subject to appropriation acts, \$2.5 million from the State General Fund (SGF) to be transferred to the Fund. Any unencumbered balance in the Fund at the end of a fiscal year would remain credited to the Fund for use in the succeeding fiscal year and may not exceed \$2.5 million. On June 30, 2024, and each June 30 thereafter, the Director of Accounts and Reports is required to transfer the amount, if any, of unencumbered moneys in the fund in excess of \$2.5 million to the SGF.

The bill limits the sum of the amount of all tax credits and grants issued pursuant to the Act to not exceed a total amount of \$10.0 million in each taxable year.

#### ***Kansas Educator Registered Apprenticeship Grant Program (Kansas Apprenticeship Act)***

The bill also creates the Kansas Educator Registered Apprenticeship Program (Educator Program) and directs the State Board of Education, Commissioner of Education, and the Secretary to coordinate to develop the Educator Program, obtain necessary approvals under state and federal law, and administer the Educator Program, which will award grants to education apprentices attending applicant schools for the purpose of increasing the number of qualified, credentialed teachers in Kansas by identifying candidates to participate in the Educator Program, secure licensure, and engage in the profession of teaching in Kansas. Grants are to be awarded upon the approval of the Secretary.

The bill requires the State Board of Education, in coordination with the Secretary, to adopt, by March 1, 2024, rules and regulations to implement the Educator Program, including establishing:

- The grant application procedure and forms;
- Terms and conditions for the award of a grant, which are to include requiring partnerships between applicant schools and eligible training instruction providers, requiring the identification of projected candidates in the manner designated by the Secretary, and the use of grant funds for the payment of apprentice tuition, fees, and the cost of books and materials, up to a maximum of \$2,750 per year for four years;
- Prioritization of grant applications providing for the apprentice to continue current employment by utilizing flexible learning models; and
- A method to award grants equitably across the state geographically.

The bill requires the Commissioner of Education and the State Board of Education, in coordination with the Secretary, to annually evaluate the Educator Program beginning in 2025 and submit a report of the evaluation to the House and Senate committees dealing with education and commerce by January 31 of each succeeding year.

#### *Kansas Educator Registered Apprenticeship Grant Program Fund*

The bill creates the Kansas Educator Registered Apprenticeship Grant Program Fund (Educator Program Fund), to be administered by the Secretary. The bill provides for expenditures from the Educator Program Fund to be made to award grants under the Educator Program. Expenditures from the Educator Program Fund are to be made in accordance with appropriations acts. The bill provides for an annual transfer, beginning July 1, 2023, of \$3.0 million SGF to the Educator Program Fund, and any unencumbered balance of the Educator Program Fund at the end of each fiscal year would remain in the Educator Program Fund for use in the succeeding fiscal year, but may not exceed \$3.0 million. On June 30, 2024, and each June 30 thereafter, the Director of Accounts and Reports is required to transfer the amount, if any, of unencumbered moneys in the Educator Program Fund in excess of \$3.0 million to the SGF.

#### *Kansas Apprenticeship Act Definitions*

The bill defines, with respect to the Kansas Apprenticeship Act, the terms “Act,” “apprentice,” “apprenticeship,” “apprenticeship agreement,” “apprenticeship program,” “applicant school,” “candidate,” “education apprentice,” “eligible employer,” “eligible nonprofit employer,” “eligible healthcare employer,” “eligible related training instruction provider,” “intermediary,” “registered apprenticeship agreement,” “registered education apprenticeship program,” “registered apprenticeship program,” “Secretary,” and “sponsor.”

## ***Engineering Higher Education Matching Grants Program***

The bill provides for grants to be made by the Secretary to state educational institutions and members of the Kansas Independent College Association as of July 1, 2023, if the institution has its primary locations in Kansas and has an engineering program accredited by the Accreditation Board for Engineering and Technology.

Grants require a dollar-for-dollar match with funds from non-state sources and are to be at least \$20,000 per graduate from an accredited engineering program, including computer engineering or computer science, from the immediately preceding academic year to the extent the number of engineering graduates exceeds the institution's threshold amount. Graduate thresholds are:

- Kansas State University – 586 graduates;
- University of Kansas – 419 graduates;
- Wichita State University – 360 graduates; and
- Private, independent colleges and other state educational institutions with accredited engineering programs – 1 or more graduates.

Grant amounts are to be prorated if the total amount of funds is insufficient for each grant to be \$20,000.

The matching grants program expires on July 1, 2033.

### *Uses of Grant Proceeds*

The Secretary is required to consult and coordinate with eligible institutions of higher education, the State Board of Regents, and private industry in planning and developing uses for matching grant funding and is required, on or before January 10, 2024, and annually thereafter, to report to the House Committee on Commerce, Labor and Economic Development and the Senate Committee on Commerce, or any successor committees, on the uses of grant funding and the progress made toward the goals of the bill.

The bill authorizes grant proceeds to be used for:

- Awarding scholarships to undergraduate engineering students;
- Recruiting undergraduate students for engineering programs;
- Expanding the number of potential engineering students through engineering-related activities in secondary schools in Kansas;
- Funding internships for undergraduate engineering students;

- Making necessary facility improvements or equipment purchases to expand engineering program course offerings; and
- Hiring additional faculty or enhancing faculty salaries in the institution's engineering program.

The bill prohibits using grant funds to acquire or construct any facilities.

#### *Engineering Graduate Incentive Fund*

The bill creates the Engineering Graduate Incentive Fund (Incentive Fund) within the State Treasury. The Secretary is to administer the Incentive Fund, and expenditures from the Incentive Fund are to provide matching grants.

The bill provides, subject to appropriation acts, for a transfer of \$1.5 million to be made from the SGF to the Incentive Fund in FY 2024 and a transfer of twice the amount of funds expended in grants in the prior fiscal year, not to exceed \$5.0 million, from the SGF to the Incentive Fund in all years thereafter. The balance of the Incentive Fund following such transfers is limited to \$5.0 million, and any transfers to the Incentive Fund are to be reduced accordingly.

Expenditures from the Incentive Fund are to be made in accordance with appropriations acts upon warrants of the Director of Accounts and Reports pursuant to vouchers approved by the Secretary.

#### *Matching Grants Program Definitions*

The bill defines, with respect to engineering program matching grants, the terms "eligible institution of higher education," "engineering program" or "accredited engineering program," "qualified eligible institution of higher education," and "Secretary."