



BLUEGRASS STATE SKILLS CORPORATION

SKILLS TRAINING INVESTMENT CREDIT ACT GUIDELINES

FY 2015-2016



Cabinet for Economic Development
Bluegrass State Skills Corporation
Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601
Telephone: (502) 564-2021
Fax: (502) 564-7697
ced.bsscgrp@ky.gov
www.thinkkentucky.com/bssc

Joshua Benton
Executive Director
joshua.benton@ky.gov

Marlene Duffy
Project Manager
marlene.duffy@ky.gov

Christy Wingate
Program Manager – Grant-in-Aid
christy.wingate@ky.gov

Rachael Dever
Program Manager –
Skills Training Investment Credit
rachael.dever@ky.gov

Ellen Felix
Assistant
ellen.felix@ky.gov

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INTRODUCTION

The Bluegrass State Skills Corporation (BSSC) was established in 1984 by the General Assembly of the Commonwealth of Kentucky to stimulate economic development through customized business and industry-specific skills training programs. The BSSC works with business and industry and Kentucky's educational institutions to establish programs of skills training.

The purpose of the BSSC is to improve and promote employment opportunities for the residents of the Commonwealth through skills training assistance.

An eighteen-member Board of Directors, including representatives of business, government, education, and labor, governs the BSSC. The Board is made up of private sector individuals as well as public officials. The public officials, who serve as ex-officio members on the Board, include the Secretaries of the Cabinet for Economic Development, Education Cabinet, and Labor Cabinet, as well as the President of the Council on Post-secondary Education, the President of the Kentucky Community and Technical College System, and the Commissioner of the Department of Workforce Investment.

The BSSC's main functions are:

- ◆ To administer and fund customized business and industry-specific training through agreements for Grant-in-Aid and Skills Training Investment Credit incentives;
- ◆ To act as a broker by coordinating the resources of providers of skills training and employment services;
- ◆ To facilitate the creation of public/private partnerships through education and training programs designed to meet training needs of individual and multiple company (training consortia) training projects; and
- ◆ To administer any special state appropriations for customized business and industry-specific training.

APPLICATION SUBMISSION AND BOARD MEETING SCHEDULE

The schedule for submission of applications for tax credits for approval and related documentation for final approvals and BSSC Board of Directors meetings are as follows:

SUBMISSION DEADLINE	BOARD MEETING DATE
June 15 2015	July 29, 2015
August 17, 2015	September 30, 2015
October 15, 2015	December 2, 2015
December 15, 2015	January 27, 2016
February 16, 2016	March 30, 2016
April 15, 2016	May 25, 2016

*** The deadline for final approval documentation for the December 2, 2015 board meeting will be October 30, 2015.**

All meetings will begin at 1:00pm and will be held at the Kentucky Transportation Cabinet Conference Center in Frankfort. Notices of the meetings will be published in advance of the meetings. The BSSC reserves the right to schedule, reschedule, or cancel a board meeting at its discretion.

THE SKILLS TRAINING INVESTMENT CREDIT ACT

The purpose of the Skills Training Investment Credit Act is to improve and promote employment opportunities for residents of the Commonwealth through training incentives for business and industry. The program provides a credit against Kentucky income tax imposed by KRS 141.020 or 141.040 and the limited entity tax imposed by 141-0401 to companies for company specific training activities. Occupational upgrade training includes employee training sponsored by a qualified company that is designed to prepare the employee for a promotional opportunity with that company. Skills upgrade training includes employee training sponsored by a qualified company that is designed to provide the employee with the skills training necessary to enhance productivity, improve performance and retain employment.

The investment credits awarded to the company may be carried forward for three successive fiscal years of the company. This may become necessary if the amount of allowable credits exceeds the income tax liability of the company during the initial fiscal year or three successive fiscal years.

INVESTMENT CREDIT CAPS

The amount of investment credits awarded by the Bluegrass State Skills Corporation shall be the lesser of the following amounts:

1. Up to fifty percent (50%) of the amount of approved costs incurred by the approved company in connection with its program of occupational or skills upgrade training;
2. \$500 per qualified employee (as defined under Qualified Employees).

In the aggregate, the maximum investment credit shall not exceed \$100,000 for each approved company per BSSC biennium.

QUALIFIED COMPANIES

Companies must be registered and in good standing with the Secretary of State's Office. A qualified company is any person, corporation, limited liability company, partnership, limited partnership, registered limited liability partnership, sole proprietorship, firm, enterprise, franchise, association, organization, holding company, joint stock company, professional service corporation, or any other legal entity through which business is conducted that has been actively engaged in any of the following qualified activities within the Commonwealth for not less than three (3) consecutive years immediately preceding the submission of the investment credit application:

- ◆ Manufacturing including the processing, assembling, production or warehousing of any property;
- ◆ Processing of agricultural and forestry products;
- ◆ Telecommunications*;
- ◆ Healthcare**;
- ◆ Product research and engineering;
- ◆ Tool and die and machine technology;
- ◆ Mining;
- ◆ Tourism and operation of facilities to be used in the entertainment, recreation and convention industry***; and

◆ Transportation in support of manufacturing.

* “Telecommunications” means the provision of telecommunications and telecommunication related services, primarily engaged in operating, maintaining, and/or providing access for the transmission of voice, data, text, sound, and video. Independent contractors engaged in the maintenance, installation, and use of broadcasting and telecommunications systems are not included in this definition.

** “Healthcare” is limited to Hospitals and/or Nursing Homes. A Nursing home is defined as a place devoted primarily to the maintenance and operation of facilities for the diagnosis, treatment, or care for more than twenty-four (24) hours of two (2) or more nonrelated individuals suffering from illness, disease, injury, deformity, or a place including nursing and convalescent homes and all institutions for the care of the sick, devoted primarily to providing, for more than twenty-four (24) hours, obstetrical or other medical or nursing care for two (2) or more nonrelated individuals.

*** “Tourism and operation of facilities to be used in the entertainment, recreation, and convention industry” means operation of a major convention or sports facility or operation of a recreational facility. “Recreational facility” means a facility that provides visitors recreational opportunities, including but not limited to, amusement parks, boating, hiking, horseback riding, hunting, fishing, camping, wildlife viewing, live theater, rock climbing, and all-terrain vehicle trails; *and* that also serves as a likely destination where individuals who are not residents of the Commonwealth would remain overnight in commercial lodging at or near the recreational facility.

Any company whose primary purpose is the sale of goods at retail shall not constitute a qualified company.

A qualified company *shall not* be entitled to receive of investment credits if the company requires that the employee (i.e. trainee) reimburse the employer or otherwise pay for any costs or expenses incurred in connection with occupational or skills upgrade training activities.

A company or member of a consortium that has been found (adjudicated) to have committed a willful Occupational Safety and Health Administration (OSHA) violation within three previous years is not eligible to apply for BSSC funds. If a company is approved for funding and is then found (adjudicated) to have committed a willful OSHA violation during the life of a BSSC tax credit, no credits will be permitted to the company from the date the willful violation is reported to the BSSC.

The BSSC shall only approve one application per BSSC biennium for each qualified company. A project may not be eligible if it is located in a tax increment financing district that has already pledged the corporate income tax credits to the tax increment financing project.

CO-APPLICANT

The application may be written and submitted by the company alone or submitted jointly with a co-applicant. A co-applicant must be either a public or non-public secondary or post-secondary educational institution, or an independent (private or proprietary) provider within the Commonwealth authorized by law to deliver a program of skills training or education.

QUALIFIED EMPLOYEES

A qualified employee is any person who meets all of the following criteria:

- ◆ Is a resident of the Commonwealth;
- ◆ Is currently a full-time employee of the qualified company; and
- ◆ Has been employed by the qualified company for the last 12 calendar months immediately preceding the filing of the application for investment credits by the qualified company.

A full-time employee is a Kentucky resident who is employed by the qualified company to work for a minimum of 35 hours per week during the most recently ended calendar year and is subject to the tax imposed by KRS 141.020. Full-time employees do not include contract or seasonal labor.

Pursuant to KRS 141.010(17): "Resident" means an individual domiciled within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in the aggregate more than 183 days of the taxable year in this state.

Trainee Minimum Wage Rate and Benefits: A goal of the BSSC program is to stimulate economic development by establishing a minimum wage rate of 150% of the federal minimum wage (\$10.88 per hour). In addition to the applicable minimum hourly wage, the eligible company shall provide employee benefits equal to at least fifteen percent (15%) of the applicable minimum hourly wage for trainees on skills training investment credit applications to be considered by the board. The term "employee benefits" is defined as "payments by an approved company for its full-time employees for health insurance, life insurance, dental insurance, vision insurance, defined benefits, 401(k) or similar plans." If the eligible company does not provide employee benefits equal to at least fifteen percent (15%) of the applicable minimum hourly wage rate of \$10.88 per hour, the eligible company may qualify under this section if it provides the employees a total hourly compensation equal to or greater than one hundred fifteen percent (115%) of the applicable minimum hourly wage through increased hourly wages combined with employee benefits (\$12.51 per hour).

ELIGIBLE TRAINING PROVIDER

A company may choose to use in-house trainers, educational institution regular or adjunct faculty, training consultants, or a combination thereof. Companies are free to use any provider they choose. BSSC does not recommend, endorse, certify or advertise for any particular training providers. Training providers are not permitted to use the BSSC name in any of their advertisements, brochures, or other promotional materials for the purpose of soliciting or obtaining customers.

ELIGIBLE TRAINING COSTS

Specific occupational and skills upgrade training programs may be customized for a particular company to encompass one or more of the following eligible training activities and costs. The eligible training activities and costs incurred after preliminary approval are considered in determining the amount of approved costs and the amount of investment credits awarded by the BSSC (see Investment Credit Caps). **The application must contain a minimum of fifty percent (50%) of the training and/or wages for non-safety, non-mandated and/or non-regulatory training. No retroactive training will be approved.**

A. In-House Training

The BSSC will provide credits to the company for fees or salaries required to be paid to instructors who are employees of the company in connection with an occupational or skills upgrade training program sponsored by a company that includes company specific classroom and on-the-job training. (For eligibility, training must be a minimum of 30 minutes and may be claimed in increments of 15 minutes above the 30 minute minimum.)

The BSSC will provide credits to the company at a rate of \$25 per hour for instruction and curriculum development activities where company employees serve as in-house training instructors. The company shall provide a match of \$25 per hour for in-house instructor training costs. This match may be in the form of in-kind contributions such as company-paid wages to the trainer and trainees. The BSSC will also reimburse for curriculum development services. (Note: \$25 per hour as used herein is equal to fifty percent (50%) of the total eligible rate of \$50 per hour).

The BSSC will provide credits for curriculum development to support in-house training activities based

on a rate of five (5) development hours for each one (1) hour of instructional time included within an application. A company may use an Educational Institution or a Consultant for curriculum development for company in-house courses. The curriculum must be company specific and remain with the company. A copy of the curriculum must be submitted to the BSSC before final certification is issued. Modification to existing curriculum is not allowed as a separate charge.

B. Educational Institution and Consultant Training

The BSSC will provide credits in the amount equal to fees or salaries required to be paid to full-time, part-time, or adjunct instructors with an educational institution; instructors who are consultants on contract with a company; and per employee training costs. Eligible training in this circumstance shall include job related classroom training, tuition courses, certifications, trainer development, licensing, online training, and video conferencing. Registration fees for annual meetings, conferences, or seminars without proof of training are not eligible for credits. It is not the intent of the BSSC to provide credits for Continuing Education Units which are not job related. In addition, tuition courses which are for the sole purpose of obtaining a bachelor's or master's degree are not allowed.

C. Instructional Materials, Texts and Supplies

The company is eligible to receive credits for the actual reasonable costs of instructional materials, texts and supplies used exclusively in an occupational or skills upgrade training program sponsored by a company. Instructional materials and texts include training manuals and text books in hard copy or electronic formats and instructional materials (overheads, photocopies, etc.). Supplies include paper, pencils, highlighters and easel pads. BSSC will only provide credits for shop training materials (welding rods, scrap metal, etc.) used for classroom instruction and not for on-the-job training activities.

D. Employee Wages

The company is eligible to receive credits for employee (i.e. trainee) wages to be paid while training during an occupational or skills upgrade training program sponsored by a company. The wage used for reimbursement will be the average wage submitted on the approved application.

E. Registered Apprenticeship – Year -Two, -Three and -Four Apprentices

The BSSC will provide a \$2,000 credit per year-two, -three, and -four apprentices enrolled in a registered apprenticeship program during the term of the approved agreement. Participation in registered apprenticeship will be verified by the Kentucky Labor Cabinet's Director of Apprenticeship.

THE SKILLS TRAINING INVESTMENT CREDIT PROCESS

A. Submission of the Application

To apply for investment credits, a qualified company shall submit an application to the BSSC office before commencing its program of occupational or skills upgrade training. Completed and signed applications are due in the BSSC office by submission date under the Application Submission and Board Meeting Schedule of these guidelines. The BSSC reserves the right to reject any application that is incomplete or does not meet the conditions specified in these guidelines. In addition, an employee list is required with the submission of the application in electronic copy format acceptable to BSSC staff. This list shall include the employee's full name, identification number, home address, and date of hire.

B. Preliminary Approval

After review of applications for investment credits, the Board of Directors of the Bluegrass State Skills Corporation may designate the qualified company as a “preliminarily approved company.” The Board takes action by preliminarily approving the maximum amount of investment credits that the qualified company shall be eligible to receive. After the BSSC Board of Directors approves the training application, the company will receive notification of the approval along with an agreement to execute. Upon receipt of the executed agreement from the company, the agreement will be signed by the chairman and the executive director and becomes effective. No training for which tax credits will be requested may commence until after the Board has given preliminary approval.

The preliminarily approved company shall complete all programs of occupational or skills upgrade training within one year from the date of the preliminary approval of the investment credits by the BSSC and shall certify the date of completion of these programs. The BSSC may allow deviations from the original application with no written modification request if the approved amount of the investment credit does not increase and the change(s) is in accordance with the BSSC Guidelines.

The preliminarily approved company shall maintain in its employment the employees (i.e. trainees) receiving occupational or skills upgrade training for a minimum of 90 days following the completion of the program of occupational or skills upgrade training. The company shall certify to the BSSC that the employees remained in its employment for the full 90 day period. The company must submit their request of Certification for Final Approval no later than six months following the training end date.

Priority consideration for preliminary approval shall be given to qualified companies that the BSSC determines to be “high performance” companies. A minimum of thirty percent (30%) of the total investment credits preliminarily approved by the BSSC during any fiscal year shall be awarded to qualified companies that have been designated as high performance companies. For purposes of these guidelines, “high performance company” means a company that has met and maintained a certified quality standards program.

C. Final Approval

The company is responsible for notifying BSSC staff once the training is completed to initiate the final approval process. If notification is not received within one year after the date of preliminary approval, BSSC staff will contact the company and provide the requirements for final approval. Documentation for final approval must be sent within six months of the training end date, including submissions of employee and training listings in an electronic format acceptable to BSSC staff. A company may request an extension to the six month deadline. All extension requests should be in the form of a letter to the executive director giving thorough justification and a requested timeframe for the extension. The extension will not become effective until reviewed by BSSC staff and approved by the executive director. Upon receiving the required documentation, the BSSC staff prepares a summary sheet indicating that statutory requirements have been met. The board considers the summary sheet and approves or denies the request for final approval. If final approval is awarded, a Final Authorizing Resolution is signed and sent to the company with a copy sent to the Finance and Administration Cabinet, Kentucky Department of Revenue.

If one or more of the employees of the preliminarily approved company failed to continue in the employment of the company for 90 days following the completion of the training project, then the amount of the investment credits preliminarily approved for a company shall be reduced on a pro rata basis. The final amount of the investment credits awarded to the company shall not exceed the amount of investment credits that the approved company was preliminarily approved for by the BSSC prior to commencement of the training program. The investment credits awarded to the approved company, having received final approval, may be carried forward for three successive fiscal years of the company.

UNUSED PROGRAMMATIC CREDITS

The aggregate amount of investment credits preliminarily approved for all qualified companies by the BSSC for each fiscal year shall not exceed \$2,500,000. Investment credits that are not preliminarily approved by the BSSC by the end of each fiscal year (June 30) shall lapse and shall not be carried forward to a new fiscal year.

ORGANIZED LABOR

When a collective bargaining unit exists at the work site where the proposed training will be provided, the company shall provide written notification to the on-site collective bargaining agent of the company's intention to apply for investment credits through the BSSC. Notification shall include a summary of the proposed curriculum and shall occur prior to the time the company files the investment credit application with the BSSC. A copy of the notification indicating the date the notice was provided, the sender, and the recipient, shall be filed with the application.

One of the goals of the BSSC is to promote cooperative training activities between a company and its employees. Therefore, an application will not be approved during a legal work stoppage and an active application will be postponed during a legal work stoppage.

EQUAL OPPORTUNITY

Persons shall not be discriminated against in accordance with KRS 344.040. The BSSC is interested in training a diverse array of individuals under its programs. The BSSC has not set numerical goals for the types of individuals to be trained because it recognizes that the trainee profile of the individual training programs will vary depending upon the employee profile of the company.

APPLICATION SCORING

Applications for the Skills Training Investment Credit program are funded on a first come first served basis.