

OFFICE OF FISCAL ANALYSIS

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sHB-5478

AN ACT SUPPORTING "LEARN AND EARN" INTERNSHIP OPPORTUNITIES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Revenue Serv., Dept.	GF - Potential Revenue Loss	None	See Below
Revenue Serv., Dept.	GF - Cost	None	Up to 75,000
Revenue Serv., Dept.	GF - Potential Cost	None	130,000
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	21,500	97,466
Office of Workforce Strategy	GF - Cost	2.7 million	5.4 million
Board of Regents for Higher Education	OF - Cost	134,900	134,900
UConn	OF - Cost	134,900	134,900
Constituent Units of Higher Education	OF - Cost	See Below	See Below

Note: GF=General Fund; OF= Other Funds

Municipal Impact: None

Explanation

The bill establishes a variety of programs and incentives related to internship participation among college students. The fiscal impact of these changes is described below.

Sections 1 and 4 result in costs of \$134,900 annually beginning in FY

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.82% of payroll in FY 27.

27 to both the Connecticut State Colleges and Universities (CSCU) and UConn. Section 1 requires both constituent units to establish a program to assist small businesses in offering paid internships that meet certain criteria. Section 4 requires the constituent units to jointly develop a quality seal for certain internships in the state. It is anticipated that each constituent unit will need to hire a State Program Manager to fulfill these requirements, resulting in a salary cost of \$98,700 and a fringe costs of \$36,200 at each unit.

Section 2 results in annual costs to the constituent units beginning in FY 27. It requires each constituent unit to provide stipends to Pell grant recipient students enrolled in their institution to support costs associated with internship participation. The costs will vary based on the number of students who receive a stipend, and the value of such stipend. As an illustration: If 14,000² students across CSCU and UConn received stipends totaling \$1,000, the cost would be approximately \$14 million (\$4 million for UConn and \$10 million for CSCU).

Section 3 has no fiscal impact. It requires institutions of higher education to report certain information about internships available to their own students. It is anticipated that the constituent units can meet this requirement with existing resources.

Section 5, which adds salaries paid to interns in a program that received the state quality seal as expenses eligible for the human capital investment tax credit against the corporation business tax, results in a potential General Fund revenue loss beginning in FY 28. The magnitude of the revenue loss depends on (1) the number of interns working in a qualifying program, and (2) the amount of pay received by such

² Fall 2025 undergraduate enrollment at UConn, the Connecticut State Universities, and total enrollment at CT State, was approximately 85,000 combined. The illustration assumes that 27% to 53% of that total population are Pell recipients (varies by institution), and 35% to 50% of Pell recipient students would participate in an internship in a year.

interns.³

Section 6, which expands the stranded tax credit program to include salaries paid to interns in a program that received the state quality seal, results in a potential revenue loss of up to \$30 million in aggregate beginning as early as FY 28.⁴ Any potential revenue loss would depend on the Department of Economic and Community Development (DECD) approving credits under the program.⁵

Section 7 results in an estimated cost of \$2.7 million in FY 27 and \$5.4 million in FY 28 and annually thereafter to the Office of Workforce Strategy (OWS) to award grants to federally tax-exempt nonprofits to offset intern salaries. It is anticipated that OWS would require one full-time administrator at an annualized cost of \$146,100 (\$103,000 in salary and \$43,100 in fringe benefits) to manage the program.

The annual cost of the grants will be dependent upon (1) the number of qualifying organizations that apply and (2) the cost of salaries paid to the interns at those organizations. For illustrative purposes, assuming 2,500 internships qualify for this program and on average interns worked 500 hours in a year at the state's minimum wage rate, the total grants awarded would be \$5.3 million.

Section 8, which establishes a tax credit for pass-through entities for salaries paid to interns in an internship program that received the state quality seal, results in a potential General Fund revenue loss beginning in FY 28. The magnitude of the revenue loss depends on (1) the number of interns working in a qualifying program, and (2) the amount of pay

³ The credit is equal to 25% of the amount paid to qualifying interns. It is estimated that there are approximately 37,850 internships in Connecticut annually. It is uncertain how many would qualify for the quality seal under the bill.

⁴ The stranded tax credit program is capped at \$50 million in the aggregate; \$20 million in credits have been allocated in total as of FY 25.

⁵ DECD cannot approve use of stranded credits by a business until the capital project or human capital investment generates state revenue that exceeds the credits to be used.

received by such interns.⁶

Section 8 also results in (1) a one-time cost to the Department of Revenue Services of up to \$75,000 in FY 28 associated with programming updates to the CTax tax administration system and myconneCT online portal, as well as form modification, and (2) a potential ongoing cost of up to \$184,366 beginning in FY 28 for up to two Revenue Examiners (\$65,000 each for salary and \$27,183 each for fringe benefits). The potential cost is dependent on the volume and amount of credits claimed.

Section 9 has no fiscal impact. It requires the Department of Administrative Services (DAS) to conduct a survey of state agencies concerning internship programs.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and participation in specified internships.

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