Legislative Analysis

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MSF: AGREEMENTS WITH EMPLOYERS TO TRAIN WORKERS USING STATE INCOME TAXES

House Bill 6722
Sponsor: Rep. Joan Bauer
Committee: Education

Complete to 12-1-08

A SUMMARY OF HOUSE BILL 6722 AS INTRODUCED 11-19-08

The bill would amend the Michigan Strategic Fund Act (MCL 125.2001 et al) to allow the Fund to enter into agreements with employers and to make loans and issue bonds to an employer who has entered into an agreement with the Michigan Economic Growth Authority for any of the following purposes:

- Training or retraining for new jobs.
- Adult basic education and job-related instruction.
- Development, readiness, and remedial education.
- Vocational and skill-assessment services and testing.
- Training facilities, equipment, materials, and supplies.
- Administrative expenses for the New Jobs Training Program.
- Sub-contracted services with public universities and colleges in Michigan, private colleges or universities, or any federal, state, or local departments or agencies.

The bill specifies that an agreement or bonds issued could provide for state income taxes to be pledged to finance the cost of providing services.

Under the bill, the MSF board could delegate to the MSF president the authority to make loans and enter into agreements for loans of $2 million or less.

Finally, the bill would cap the aggregate outstanding obligation of all agreements entered into by the Fund with employers, under this section at $10 million in any calendar year.

FISCAL IMPACT:

House Bill 6722 would allow the Michigan Strategic Fund (MSF) to make agreements with employers to finance job training/retraining programs and related activities by making loans or issuing bonds to employers and capturing the income tax withheld from the wages of the employees in the new jobs. The bill says that these agreements may allow the MSF to capture the income taxes generated by the new positions to finance the cost of providing services. If the agreements allow income taxes to be captured, the bill would reduce income tax revenue that the state would have received by an indeterminate amount, depending upon how many job training programs are initiated and how many new jobs are created. The bill would increase revenue to the MSF since the portion of income tax revenue that would have gone to the state would be directed to the MSF.

Of the income tax revenue collected by the state, 76.7% is directed to the General Fund and 23.3% is earmarked to the School Aid Fund. While it is not possible to estimate the amount of fiscal impact from the bill at this time, the provisions of the bill would cause both the General Fund and the School Aid Fund to have reduced funding from the amount they would have received from income tax revenues for any new wages earned.

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