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Senate Bills 1342 and 1343 (as reported without amendment)
Sponsor: Senator Mark C. Jansen
Committee: Commerce and Tourism

CONTENT

Senate Bill 1342 would add Chapter 13 (New Jobs Training Programs) to the Community College Act, to do all of the following:

- Allow a community college district to enter into an agreement with an employer, until December 31, 2018, to provide training for new jobs.
- Allow training program costs to be paid to the community college from income taxes withheld by employers on the new jobs created.
- Specify the requirements for an agreement, including that the employer provide money to the community college if the withholding amount were insufficient to pay program costs, and pay an administrative fee to the community college district of 15% of the aggregate amount to be paid under the agreement.
- If program costs were to be paid from income tax withholding, require the employer to pay the amount to be withheld to the community college in the same manner it paid income tax withholding to the Department of Treasury.
- Allow a community college district, by resolution of its board of trustees, to sell revenue bonds to finance costs of the new jobs training programs, in anticipation of payments under an agreement with an employer.
- Allow a community college district to pay for a new jobs training program out of the district's funds, including self-funding methods.
- Provide that bonds and notes issued under Chapter 13 would be tax exempt.
- Set a limit of \$50.0 million per year on the aggregate outstanding obligation of all agreements under Chapter 13.

Senate Bill 1343 would amend the Income Tax Act to provide for the payment to community colleges of income taxes withheld pursuant to an agreement entered into under Chapter 13 of the Community College Act. The bill also would require the Department of Treasury to make an annual report concerning the operation and effectiveness of new jobs training programs and the corresponding income tax withholding requirements.

The bills are tie-barred.

Proposed MCL 389.161-389.166 (S.B. 1342)
MCL 206.351 et al. (S.B. 1343)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

These bills would allow community colleges to finance job training programs by capturing the income tax that would be withheld from the wages paid for the new jobs and otherwise

remitted to the Department of Treasury. It is not possible to provide a meaningful estimate of the impact the bills potentially would have on income tax revenue because there is no way to know how many job training programs actually would be created, the size and cost of the programs, the number of jobs that would be created, or how many of these jobs would be created only because of the job training programs. If it is assumed that all of the jobs created through these programs would be created only due to the job training programs, then it can be argued that the bills would have no real fiscal impact on income tax revenue because with or without the job training programs, the State would not receive any income tax from these workers. However, it is very likely that some of the new jobs will be created even if these bills are not enacted. To help put the potential fiscal impact into perspective, for every 100 jobs created through the proposed job training programs, assuming an average wage of \$35,000 per year, community colleges would capture about \$121,000 to finance job training programs under the bills. Any loss of income tax revenue under these bills would reduce the General Fund (76.7%) and the School Aid Fund (23.3%).

Date Completed: 10-1-08

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