

Legislative Analysis



COMMUNITY COLLEGE JOB TRAINING PROGRAM

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House Bill 5957

Sponsor: Rep. Richard Hammel

Committee: Education

Complete to 6-10-10

A SUMMARY OF HOUSE BILL 5957 AS INTRODUCED 3-17-10

House Bill 5857 would amend the Community College Act (MCL 389.161) to revise the definition of a "new job" for which a community college's Job Training Program funding is available.

Currently under the law, "new job" means a full-time job in Michigan that meets all of the following:

- (1) Except as provided in subparagraph (2) or (3), is a new, existing, or expanding business of an employer.
- (2) Is not a job of a recalled worker, a replacement job, or any other job that existed in the employer's business within the one-year period preceding the date of an agreement between an employer and a community college.
- (3) Is not a job that is part of an employer's business operation located in a municipality in Michigan, if that job existed in a business operation or a substantially similar business operation of the employer formerly located in another municipality in Michigan, the employer moved that business operation or substantially similar business operation to its current location, and the employer closed or substantially reduced that former business operation or substantially similar business operation.
- (4) Results in a new increase in employment in this state for that employer.
- (5) The wage paid for the job is equal to or exceeds 175 percent of the state minimum wage.

House Bill 5857 would retain these provisions but modify provision (5) to read:

- (5) The wage paid for the job is equal to or exceeds 150 percent of the *federal* minimum wage.

BACKGROUND INFORMATION:

In the 2007-2008 legislative session, the Legislature enacted Public Acts 360 (House Bill 6185) and 359 (Senate Bill 1342) of 2008. Those acts authorized community college districts to operate a new jobs training program by entering into training agreements with Michigan employers to train and educate new employees. The program is financed by diverting income tax withholding of the new employees directly to the community colleges, rather than to the

state treasury. (This is referred to as a "new jobs credit from withholding.") The community colleges can then issue bonds to finance training programs, with the bonds financed by the income tax withholding payments.

FISCAL IMPACT:

The bill would reduce the wage requirements of eligible employees subject to training through the New Jobs Training Program from 175% of the state minimum wage (\$12.95) to 150% of the federal minimum wage (\$10.88).¹ This change could have any number of impacts, depending on what impact the current wage standard has in encouraging participation in the program. Given that the program is relatively new, there are few MNJTP agreements in place.²

Community colleges officials indicate that, while the demand for worker training exists, many of the jobs for which training is needed do not have a starting salary at the current wage standard of \$12.95 per hour. This discourages employers from participating in the program or could require that they hire fewer employees than planned. If this is the case, lowering the wage standard to \$10.88/hour would tend to encourage employer participation in the program. This impact increases the operating costs of the community colleges to carry out the training activities. Under the act, these costs can be financed by the college through self-funding means or the issuance of revenue bonds. These costs would in turn be supported by capturing the income tax withholding on the new jobs that are created as a result of the training program, directing the funds to the community college rather than the Department of Treasury.³ Any funding shortfall is supported by the resources of the employer rather than the community college. Approximately 23.3 percent of gross income tax revenue is earmarked to the School Aid Fund (SAF). To the extent the increased capture of income tax withhold reducing gross income tax collections, the SAF would be reduced accordingly. The remaining reductions (76.7%) would impact the General Fund.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

¹ Under the Minimum Wage Law of 1964, 1964 PA 154, MCL 408.381 et seq., the state minimum wage is \$7.40. Under the federal Fair Labor Standards Act, 29 USC 206, the federal minimum wage is \$7.25. The 150% of federal minimum wage standard used by the bill is also the wage standard typically used for various MEGA tax credits under the Michigan Economic Growth Authority Act, 1995 PA 24, MCL 207.801 et seq.

² Grand Rapids Community College is the only college that has formal MNJTP agreements in place. Through the MNJTP program, the college has provided training to Energtex Corp. in Holland for composite technicians, and has agreements in place with furniture maker Haworth and auto supplier Johnson Controls-Saft. Other colleges are still exploring potential projects and have established preliminary agreements. See the Michigan Community College Association website for blank copies of the final agreement, preliminary agreements, and program application forms, [<http://www.mcca.org/content.cfm?m=46&id=46&startRow=1&mm=0>].

³ For each new jobs credit from income tax withholding paid to a community college district, the employer must certify to Treasury that the payment was made under an agreement. Each employer is required on Form 4756, New Jobs Training Program (NJTP) Credit Report, to distinguish between the amount of income tax withholding paid to the State and the amount paid to the community college. This report must be faxed to Treasury on the 20th of the month following the return period, [http://www.michigan.gov/documents/taxes/4756_318851_7.pdf].