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BILL



ANALYSIS

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House Bill 5957 (Substitute H-4 as passed by the House)  
Sponsor: Representative Richard Hammel  
House Committee: Education  
Senate Committee: Education

Date Completed: 9-20-10

### **CONTENT**

**The bill would amend Chapter 13 (New Jobs Training Programs) of the Community College Act to do all of the following:**

- **Require a community college to allocate to the Department of Treasury part of the administrative fee it received under a new jobs training program agreement.**
- **Create the "New Jobs Training Administration Fund" in the State Treasury and require the allocation to the Department from a community college to be deposited into the Fund.**
- **Lower the amount of wages that a "new job" must pay if family health benefits were provided.**

#### Administrative Fee

Under Chapter 13, a community college district may enter into an agreement to establish a project with an employer engaged in business activities anywhere in Michigan. ("Project" means a training arrangement that is the subject of an agreement entered into between the community college district and an employer to provide job training program services for new jobs.) Program costs may be paid from income taxes withheld for new jobs that are paid to the community college in the same manner that income tax withholding otherwise is paid to the Department of Treasury.

An agreement entered into under Chapter 13 must meet certain requirements, including providing for payment of an administrative fee to the community college district in an amount equal to 15% of the aggregate amount to be paid under the agreement. Under the bill, the community college would have to allocate that fee as follows:

- 14% retained by the community college for its administrative costs.
- 1% paid to the Department of Treasury for deposit into the New Jobs Training Program Administration Fund proposed by the bill.

#### New Jobs Training Administration Fund

The New Jobs Training Administration Fund would be created in the State Treasury. The State Treasurer could receive money from a community college administrative fee described above, money appropriated to the Fund, or money or other assets from any other source for deposit into the Fund.

The State Treasurer would have to direct the investment of the Fund, and credit to it the interest and earnings from Fund investments. Money in the Fund at the close of the fiscal year would have to remain in the Fund and could not lapse to the General Fund.

The Department of Treasury would be the administrator of the Fund for auditing purposes. The Department could spend money from the Fund only to administer Chapter 13.

#### "New Job" Definition

Under Chapter 13, "new job" means a full-time job in Michigan that meets certain requirements, including that the wage paid for the job is equal to or exceeds 175% of the State minimum wage. Under the bill, instead, the compensation for the job would have to do either of the following:

- Pay wages that were equal to or exceeded 175% of the State minimum wage.
- Include family health benefits provided and paid for by the employer and pay wages that were equal to or exceeded 150% of the Federal minimum wage.

(Subject to various exceptions, the State minimum wage is \$7.40 per hour; 175% of that amount is \$12.95. The Federal minimum wage for covered nonexempt employees is \$7.25 per hour, and 150% of that amount is \$10.88.)

MCL 389.161 et al.

Legislative Analyst: Patrick Affholter

#### **FISCAL IMPACT**

The bill would decrease income tax revenue by an unknown amount, depending on the number of individuals affected by the bill and the characteristics of their jobs. The bill's changes would likely increase participation in the program by an unknown amount and reduce income tax withholding received by the State from those additional participants. Because a portion of gross income tax revenue is earmarked to the School Aid Fund, approximately 23.3% of the revenue reduction would lower School Aid Fund revenue, while the remaining reduction would lower General Fund revenue.

When the program was adopted, it was expected to reduce revenue by approximately \$1.0 million in FY 2008-09 and \$5.0 million in FY 2009-10 as the program expanded.

The allocation of 1% of the current administrative fee to the Department of Treasury (from the current 15% administrative fee paid to community colleges) would cover costs incurred by the Department. While this would reduce the allocation to community colleges, other changes in the bill would increase participation in the program.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.