

Legislative Analysis



NEW JOBS TRAINING PROGRAM

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Senate Bill 1074 without amendments

Sponsor: Sen. Mark C. Jansen

House Committee: Commerce

Senate Committee: Education

Complete to 12-15-14

A SUMMARY OF SENATE BILL 1074 AS PASSED BY THE SENATE

The bill would amend the Community College Act to eliminate the \$50.0 million cap on the aggregate outstanding obligation of agreements established under the New Jobs Training Program, and to delete sunset provisions that bar new agreements after December 31, 2018. Additional details follow.

New Jobs Training Program

The New Jobs Training Program was enacted in late 2008 and commenced in 2010 under complementary amendments to the Community College Act and the Income Tax Act. Under the program, a community college and an employer can enter into an agreement under which the community college trains workers for new jobs in Michigan and training costs are recouped at least in part through diversion of income tax withholding on the new jobs. A college may issue revenue bonds to cover training costs in anticipation of payments to be received under the agreement.

An agreement must:

- Provide for program costs to be paid from a new jobs credit from withholding, or from tuition and fees or special charges.
- Include an estimate of the number of new jobs to be created by the employer.
- Provide for the minimum quarterly amount of new jobs credit from withholding that is to be paid for program costs, and for the employer to make up any shortfall if the withholding amounts are insufficient to meet the amount specified by the agreement.
- Provide for the community college to receive an administrative fee of 15% of the aggregate amount to be paid under the agreement.

To qualify as a "new job" under the program, a job has to be a full-time job in Michigan for which the wage is at least 175% of the state minimum wage, and which results in a net increase in employment in Michigan for the employer involved. The job cannot be any job that existed in the employer's business within a year preceding the date of the agreement, nor can it be a job moved from one location to another in Michigan.

The total aggregate outstanding obligation of agreements established under the program may not exceed \$50.0 million in a calendar year. A community college may not enter

into any new agreements after December 31, 2018, nor may it authorize, issue, or sell any new jobs training revenue bonds after December 31, 2018.

Proposed Changes

The bill would amend the Community College Act to:

- Repeal MCL 389.166, thereby eliminating the cap (currently \$50.0 million) on the aggregate outstanding obligation of agreements in a calendar year.
- Delete provisions that bar new agreements and revenue bond issues after December 31, 2018.
- Specify that "state minimum wage" under the program be the minimum hourly wage in effect as of the date of the agreement established under the former state Minimum Wage Law or under the Workforce Opportunity Wage Act, as applicable.

MCL 389.161, et al.

FISCAL IMPACT:

As written, the bill would have a small negative impact on state income tax collections. Over the length of the program an average of \$1.9 million per year has been diverted from income tax collections. The bill would change the MNJTP from temporary to permanent, meaning that this diversion will continue every year. The General Fund would have \$1.45 million diverted, while the School Aid Fund would have \$450,000 diverted. With the removal of the \$50 million cap on outstanding obligations related to the program, the amount of this diversion could increase over time. The exact amount of this increase cannot be estimated in advance, because it will depend on the individual decisions of, and agreements between, community colleges and local businesses.

The extent to which this can be considered a loss rather than a diversion of state income tax revenue depends on whether these jobs would have been created in the first place. If all of the jobs created by the program would not have happened otherwise, the \$1.9 million is best considered a diversion of revenue. If these jobs would have been created absent the existence of the program, then this cost can be considered a loss of state revenues. Reality is likely to be more of the former.

The bill would have no direct fiscal impact on community colleges.

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