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BILL ANALYSIS



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Senate Bill 1074 (as reported without amendment)
Sponsor: Senator Mark C. Jansen
Committee: Education

CONTENT

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

- Delete a provision under which new jobs training program agreements between community college districts and employers may not be formed after December 31, 2018.
- Delete a prohibition against the authorization, issuance, and sale of new jobs training revenue bonds by a community college after December 31, 2018.

Also, in a requirement that the wage paid for a new job under the program equal at least 175% of the State minimum wage, the bill would refer to the minimum wage in effect on the date the community college and the employer entered into the agreement.

The bill would repeal Section 166 of the Act, which sets a \$50.0 million cap on the aggregate outstanding obligation of all new jobs training program agreements entered into in any calendar year.

The Act provides for the establishment by community college districts of new jobs training programs, and authorizes a community college district to enter into an agreement to establish a training arrangement with an employer engaged in business activities anywhere in Michigan. An agreement must provide that, for each employee in a new job, each month the employer must pay the amount required to be deducted and withheld under the Income Tax Act to the community college district in the same manner as the employer returns and pays withholding payments to the Department of Treasury. The district must deposit the amount received into a special fund to pay program costs and the principal of and interest on any bonds issued by the district to finance or refinance the project.

MCL 389.161 et al.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would result in the diversion of additional State income tax withholding from the State General Fund (76.2%) and the State School Aid Fund (23.8%). From the inception of the program through September 10, 2014, \$10.7 million in income tax withholdings has been diverted from the State to pay for the cost of Michigan New Jobs Training Program (MNJTP) contracts. This amount does not include any refund paid to taxpayers in situations in which withholding exceeds an employee's actual liability. The Michigan Community College Association reports that MNJTP contracts during that time period have provided training for 11,975 new jobs. Based on the data, a job created through the MNJTP that pays \$30,000 annually would generate approximately \$900 in State income tax revenue.

Eliminating the \$50.0 million cap on aggregate outstanding obligations of all agreements, and eliminating the December 31, 2018, sunset would result in increasing and continuing diversions of income tax revenue from the State. The Department of Treasury reports an outstanding MNJTP contract balance of \$46.0 million, as of December 31, 2013. Thirteen community colleges have participated in the program with total original contract values of \$57.5 million. The impact that the program has on the State and income tax revenue depends on the number of contracts entered into and the extent to which these new jobs would not have been created without the MNJTP.

Date Completed: 9-26-14

Fiscal Analyst: Bill Bowerman
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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.