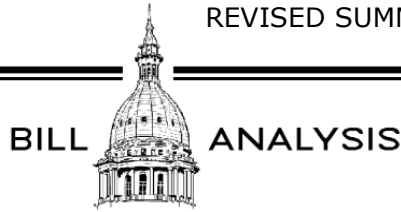




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## BILL ANALYSIS

Telephone: (517) 373-5383  
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Senate Bill 1074 (as introduced 9-16-14)  
Sponsor: Senator Mark C. Jansen  
Committee: Education

Date Completed: 9-23-14

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

**The bill also 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.**

#### New Jobs Training Program Agreement

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 project with an employer engaged in business activities anywhere in Michigan. An agreement must provide that, for each employee in a new job (described below), 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 pay 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.

"New jobs training program" means the project or projects established by a community college district for the creation of jobs by providing education and training or retraining of workers for new jobs. "Project" means a training arrangement that is the subject of an agreement entered into between the community college district and an employer to provide program services.

"Program services" includes any of the following:

- Training or retraining for new jobs.
- Adult basic education and job-related instruction.

- Developmental, readiness, and remedial education.
- Vocational and skill-assessment services and testing.
- Training facilities, equipment, materials, and supplies.
- Administrative expenses for the new jobs training program.
- Subcontracted services with public universities and colleges in Michigan, private colleges or universities, or any Federal, State, or local departments or agencies.
- Contracted professional services.

The Community College Act prohibits a community college from entering into any new agreements after December 31, 2018. The bill would delete this prohibition.

#### Definition of "New Job"

The Act defines "new job" as a full-time job in Michigan that meets all of the following conditions:

- Except as otherwise provided, is a new, existing, or expanding business of an employer.
- Is not a job of a recalled worker, a replacement job, or any other job that existed in the employer's business within the year preceding the date of an agreement.
- 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 to its current location, and the employer closed or substantially reduced the former operation.
- Results in a net increase in employment in Michigan for that employer.

In addition, the wage paid for the job must equal or exceed 175% of the State minimum wage. Under the bill, the wage would have to equal or exceed 175% of the State minimum wage in effect as of the date the employer and community college district entered into the agreement to establish the project.

"State minimum wage" means the minimum hourly wage rate under the Minimum Wage Law. The bill would delete the reference to the Minimum Wage Law and refer instead to the Workforce Opportunity Wage Act (which repealed and replaced the Minimum Wage Law on May 27, 2014).

#### New Jobs Training Revenue Bonds

By resolution of its board of trustees, a community college district may authorize, issue, and sell new jobs training revenue bonds in anticipation of payments to be received pursuant to an agreement with an employer, to finance costs of new jobs training programs and to pay costs of issuing the bonds.

The Act prohibits a community college district from authorizing, issuing, or selling any new jobs training revenue bonds after December 31, 2018. The bill would delete this prohibition.

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.

Fiscal Analyst: Bill Bowerman  
David Zin

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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.