Legislative Analysis

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NEW JOBS TRAINING PROGRAMS
AT INTERMEDIATE SCHOOL DISTRICTS

House Bills 4750 and 4751 as introduced
Sponsor: Rep. Phil Potvin
Committee: Workforce and Talent Development
Complete to 10-7-15

BRIEF SUMMARY:

Taken together, House Bills 4750 and 4751 would allow intermediate school districts (ISDs) to operate new job training programs in the same way community colleges currently can, and would extend an existing diversion of income tax revenue so that it would apply to the new job training programs operated by ISDs.

As with the current community college program, an intermediate school district could enter into an agreement with an employer who engages in business activities anywhere in Michigan, under which the ISD trains workers for new jobs in Michigan with the training costs recouped at least in part through a diversion of income tax withholding from the new jobs. An ISD, like a community college, could issue revenue bonds to cover training costs in anticipation of payments to be received under the agreement.

HB 4750 would amend the Revised School Code by adding a new Part 7c, which would allow an ISD to enter into an agreement with an employer in Michigan to operate a jobs training program. The provisions in the new Part 7c would mirror language in Part 2, Chapter 14, of the Community College Act, under which community colleges can conduct a new jobs training program.

House Bill 4751 would amend the Income Tax Act to address the extension of the "new jobs credit from withholding" to ISD-based programs. As mentioned earlier, those provisions enable employers to redirect income tax withholdings for new employees in the training program from the state to an ISD, with the revenue to be used for an ISD's new jobs training program. These provisions currently exist for community college programs.

The two bills are tie-barred, meaning that both must be enacted for either to take effect. Both of the bills would go into effect 90 days after the bill being enacted.

DETAILED SUMMARY:

New Jobs Training Program
Under the agreements with employers, projects would involve an ISD providing such program services as training or retraining for new jobs; adult basic education and job-related instruction; development, readiness, and remedial education; vocation and skill-assessment services and testing; training facilities, equipment, materials, and supplies; administrative expenses for the new jobs training program; sub-contracted services with

public universities and colleges in Michigan, private colleges or universities or any federal state, or local departments or agencies; and contracted or professional services.

"New Job"

A "new job" means a full-time job in this state that:

- Is a new, existing, or expanding business of an employer and 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 and results in a net increase in employment in Michigan for that employer.

- Is not a job that is part of an employer's business operation located in a municipality in this state if that job existed in a business operation or a substantially similar business operation of the employer that was formerly located in another municipality in this state, the employer moved that operation to its current location, and the employer closed or substantially reduced that former operation.

- The wage paid for the job is equal to or exceeds 175% of the state minimum wage, (which for hourly, non-tipped workers would mean the job must pay at least $14.875 per hour, equivalent to $30,940 annually based on a 40-hour work week, assuming the bill goes into effect in 2016.)

[Note: Michigan's minimum wage is scheduled to increase from its current $8.15 per hour to $8.50 per hour on January 1, 2016; from $8.50 per hour to $8.90 per hour on January 1, 2017; and from $8.90 per hour to $9.25 per hour on January 1, 2018. Starting January 1, 2019, the minimum wage would rise with inflation, up to a maximum annual increase of 3.5% per year.]

Agreement between ISD and Employer

An agreement must meet all of the following requirements:

- Provide for program costs that may be paid from a new jobs credit from withholding, to be received or derived from new employment resulting from the project, or from tuition, student fees, or special charges fixed by the ISD board to defray program costs in whole or in part.

- Contain an estimate of the number of new jobs to be created by the employer.

- Include a provision that fixes, on a quarterly basis, the minimum amount of new jobs credit from withholding to be paid for program costs, and provide that if the amount received from the new jobs credit from withholding was insufficient to pay program costs, then the employer would agree to provide money, at least quarterly, to make up the shortfall so that the ISD received (for each quarter) the minimum amount of a new jobs credit from withholding provided in the agreement.

- Include the employer's agreement to mortgage, assign, pledge, or place a lien on any real or personal property as required by the ISD as security for its obligations under the agreement.

- Provide for the payment of an administrative fee to the ID in an amount equal to 15 percent of the amount to be paid under the agreement.

Additionally, if any part of the program costs of a new jobs training program are to be paid from money received from the new jobs credit from withholding, then the agreement must contain additional provisions described in detail in the bill. Among those provisions is one that specifies that for each employee in a new job, the employer would each month pay the amount required to be deducted and withheld by the employer under the Income Tax Act to the ISD in the same manner as the employer pays withholding payments to the Revenue Division of the Department of Treasury. The amounts received would go into a special fund to pay program costs and to pay the principal and interest on any bonds issued by the ISD to finance or refinance the project.

Any payments required to be made by an employer under the agreement would be a lien on the employer's business property, real and personal, until paid; have equal precedence with property taxes; and not be divested by a judicial sale. An ISD would file a copy of an agreement with the Department of Treasury promptly after its execution. There could be no new agreements after December 31, 2023. HB 4750 also places a limit of $50 million in any calendar year on the aggregate outstanding obligations of all agreements authorized by the bill, a cap that also exists in the Community College Act.

ISD Report to Treasury

At the end of each quarter, the ISD receiving money from employee withholding would have to certify to the Department of Treasury the amount received for each of its employer-partners. By April 1 of each year, each ISD that received money from a "new jobs credit from withholding" in the preceding calendar year would have to report certain specified information to the Department of Treasury, including the name of each employer; the amount of withholding that had been remitted to the ISD; the amount of revenue bonds the authorized, issued, or sold; the total amount of the ISD's debt related to agreements; the number of certificates or credentials awarded to program participants; the number of individuals entering the program in the calendar year, completing the program in the calendar year, and enrolled at the end of the calendar year; and the number of individuals who completed the program who were hired to fill new jobs.

FISCAL IMPACT:

To the extent that income tax withholding is diverted to intermediate schools districts, the bill would have a negative, but likely small, impact on state income tax collections. Under current law, approximately 23.8% of gross income tax revenue is earmarked to the School Aid Fund, with the remaining amount accruing to the General Fund.

Without knowing the extent to which the program will be utilized, the fiscal impact cannot be determined. However, a similar program partnering businesses and community colleges diverted $2.9 million in 2012.

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