



**Senate Fiscal Agency**  
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Senate Bills 69 and 70 (as passed by the Senate)  
Senate Bill 71 (Substitute S-1 as passed by the Senate)  
Sponsor: Senator Darwin L. Boohar (S.B. 69)  
          Senator Peter MacGregor (S.B. 70)  
          Senator Phil Pavlov (S.B. 71)  
Committee: Education

Date Completed: 4-22-15

### **RATIONALE**

The Michigan New Jobs Training Program (MNJTP), established by Public Act 359 of 2008, is a program in which community colleges and businesses enter into agreements to train community college students for specific job skills needed by employers and to generate and fill new jobs meeting specific standards. To finance the costs of the program, participating community colleges may use existing resources or sell revenue bonds. The colleges then may be reimbursed by income tax withholding payments made by participating employers. That is, for each new job created, the employer pays the community college district the amount of employee withholding taxes that it otherwise would pay to the State. The revenue bonds may not be sold after December 31, 2018, however, and the aggregate outstanding obligations of all MNJTP agreements entered into may not exceed \$50.0 million in any calendar year. Supporters of the MNJTP claim that the program has been successful at creating new jobs and have raised concerns about its continued effectiveness given the existing constraints. To address those concerns, some have suggested removing the sunset date and the cap on the bonds.

### **CONTENT**

**Senate Bill 69 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.**
- **Require the wage paid for a job to equal or exceed 175% of the minimum hourly wage rate in effect as of the date an employer and community college district entered into an agreement.**
- **Require a new jobs training program agreement entered into after the bill's effective date to prohibit an employer from claiming a tax credit under a section of the Michigan Business Tax Act.**

**Senate Bill 70 would amend the Community College Act to eliminate a provision that prohibits a community college district from authorizing, issuing, or selling any new jobs training revenue bonds after December 31, 2018.**

**Senate Bill 71 (S-1) 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, effective 30 days after the bill's enactment.**

All of the bills are tie-barred to each other. Senate Bill 69 and 70 are discussed below.

## **Senate Bill 69**

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

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 a new job must equal or exceed 175% of the "state minimum wage", which means the minimum hourly wage under the Minimum Wage Law. Under the bill, "state minimum wage" would mean the minimum hourly wage rate in effect as of the date the employer and community college district entered into the agreement to establish the project under the former Minimum Wage Act or under the Workforce Opportunity Wage Act (which repealed and replaced the Minimum Wage Law on May 27, 2014), as applicable.

Under the Act, if any part of the program costs of a new jobs training program are to be paid from receipt of money from a new jobs credit from withholding, the agreement must contain provisions that, among other things, specify that program costs are to be paid from money received from the credit, and that the credit from withholding must be based on salary paid to employees for the employer in the new jobs. For an agreement entered into after the bill's effective date, the bill also would require a provision prohibiting the employer from claiming a tax credit under Section 431 of the Michigan Business Tax Act.<sup>1</sup>

(Section 431 allows authorized businesses to claim a credit against the tax imposed by the Michigan Business Tax Act in an amount certified by the Michigan Economic Growth Authority (MEGA).)

## **Senate Bill 70**

The Community College Act allows a community college district, by resolution of its board of trustees, to authorize, issue, and sell its new jobs training revenue bonds in anticipation of payments to be received pursuant to an agreement, subject to the requirements of Chapter 13, to finance costs of new jobs training programs and to pay costs of issuing those bonds. The Act prohibits a community college from authorizing, issuing, or selling any new jobs training revenue bonds after December 31, 2018. The bill would eliminate that prohibition.

MCL 389.161-389.163 (S.B. 69)  
389.164 (S.B. 70)  
389.166 (S.B. 71)

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

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<sup>1</sup> Although the Michigan Business Tax Act has been largely repealed, some taxpayers may continue to file returns under the Act in order to claim "certificated credits", including certain payroll credits that were granted by the Michigan Economic Growth Authority under Section 431 for new and/or retained jobs.

### **Supporting Argument**

The goal of the MNJTP is to use the job training facilities of local community colleges to assist employers with filling new jobs by offsetting the new employees' training costs. Through the MNJTP, employers are able to work closely with community colleges to hire students and train them in a variety of fields. Because the employer is providing training, it is the type that is needed by the employer. The program allows participating employers to readily address skills gaps that develop in the workplace. Currently, however, the program is subject to a \$50.0 million cap on the aggregate amount of outstanding obligations under MNJTP agreements in any calendar year, which limits the ability of community colleges and employers to enter into new agreements. Reportedly, the cap was reached in 2011 and a waiting list was established to prioritize funding for new agreements as it becomes available (which occurs when income tax withholding is paid to community colleges and their bonding obligations are reduced).<sup>2</sup> In addition, new bonds may not be sold after December 31, 2018, which effectively establishes a sunset on the program itself.

According to the Michigan Community College Association, as of March 6, 2015, 18 Michigan community colleges were participating in the MNJTP, partnering with 96 employers through 108 separate agreements.<sup>3</sup> By removing the deadline on issuing bonds for the program, and eliminating the \$50.0 million cap, the bill would allow more employers to take advantage of the MNJTP. The employers then could continue to hire students right out of community colleges and place them in one of the many vacant positions that currently go unfilled for lack of skilled workers.

Eliminating the sunset also would give employers certainty that the MNJTP would continue. Assurances of the program's continued existence would encourage additional investment on the part of interested employers and allow them to plan for the future with the knowledge that skilled labor would be available.

In addition, the bill would address issues pertaining to MEGA credits. There is concern that some employers may use the MNJTP and claim MEGA credits, essentially receiving two tax benefits for creating one job. The bill would ensure that companies that receive the benefit of having the training costs for their new employees costs paid for through the MNJTP would not benefit from MEGA credits.

Finally, the bill would clarify issues concerning the wage paid to employees participating in the MNJTP. Many of the contracts that have been executed specify that the wage to be paid is 175% of the minimum wage established under the Minimum Wage Law, former Public Act 154 of 1964. With the passage of the Workforce Opportunity Wage Act in 2014, some participants are worried that the wages being paid under their contracts do not comply with the MNJTP's wage requirement. The bill specifies that the wage to be paid would be 175% of the minimum wage in effect at the time the agreement between the college and the employer was executed. This would ensure that those contracts entered into before the Workforce Opportunity Wage Act was enacted would comply with the Community College Act's wage requirement, while ensuring that future contracts would require payment of the new minimum wage.

### **Opposing Arguments**

The bill provides that the effective minimum wage would be the minimum wage that was in effect at the time an agreement was executed. This would put employees involved with the MNJTP at a disadvantage. If a goal of the program is to create high-paying jobs, then the bill should instead require the minimum wage paid to be 175% of the current minimum wage, regardless of when the agreement was executed. This would ensure that whenever the minimum wage increases, the wage for these employees also would increase. This would mean more money for employees entering the skilled trades and professions promoted by the MNJTP.

Legislative Analyst: Jeff Mann

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<sup>2</sup> Craig Thiel & Erin Grover, "The Economic Benefits of the Michigan New Jobs Training Program", p. 11, Anderson Economic Group, LLC, 4-25-2013, retrieved 4-8-2015 at: <http://www.andersoneconomicgroup.com/Publications/Detail/tabid/125/articleType/ArticleView/articleId/8055/The-Economic-Benefits-of-the-Michigan-New-Jobs-Training-Program.aspx>

<sup>3</sup> See "Michigan New Jobs Training Program-A Community College Initiative" summary, retrieved 4-8-2015 at: <http://www.mcca.org/content.cfm?ID=43>.

## **FISCAL IMPACT**

The bills 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 refunds paid to taxpayers in situations in which withholding exceeds an employee's actual liability. The Michigan Community College Association reports that as of January 2015, MNJTP contracts through 18 community colleges have provided training for 12,425 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, for an employee claiming two exemptions, and \$1,150 for an employee claiming only one exemption.

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 the new jobs would not have been created without the MNJTP.

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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.