



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

CONTENT

Senate Bill 69 would amend Chapter 13 (New Jobs Training Programs) of the Community College Act to delete a provision under which new jobs training program agreements between community college districts and employers may not be formed after December 31, 2018.

The bill also would redefine "state minimum wage". Under the Act, 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agreement to establish the project under the former Minimum Wage Law or under the Workforce Opportunity Wage Act (which repealed and replaced the Minimum Wage Law on May 27, 2014), as applicable.

Senate Bill 70 would amend the 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.

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

Legislative Analyst: Jeff Mann

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.

Date Completed: 2-24-15

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.