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Senate Bills 69, 70, and 71 (as introduced 2-3-15)

Sponsor: Senator Darwin L. Booher (S.B. 69)

Senator Peter MacGregor (S.B. 70)

Senator Phil Pavlov (S.B. 71)

Committee: Education

Date Completed: 2-17-15

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 the 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.**

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 bonds after December 31, 2018.

Senate Bill 71 would amend 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, to specify that the Section would not apply after December 31, 2016.

The bills are tie-barred to each other and would take effect 90 days after their enactment. Senate Bills 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 the job must equal or exceed 175% of the State minimum wage. "State minimum wage" means the minimum hourly wage rate 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.

Senate Bill 70

The 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)

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.

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.