



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 69 (as enacted)
Sponsor: Senator Darwin L. Boohar
Senate Committee: Education
House Committee: Appropriations

PUBLIC ACT 130 of 2015

Date Completed: 2-9-17

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. Previously, the revenue bonds could not be sold after December 31, 2018. Also, changes in the minimum wage enacted after the Program was established apparently created some confusion as to how much employees should be paid. Supporters of the MNJTP claimed that the program was successful at creating new jobs and raised concerns about its continued effectiveness given those issues. To address those concerns, some suggested delaying the sunset date on the issuance of bonds and modifying the definition of "state minimum wage".

CONTENT

The bill amended Chapter 13 (New Jobs Training Programs) of the Community College Act to do the following:

- Specify that new jobs training program agreements between community college districts and employers may not be formed after December 31, 2023, instead of 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.**

The bill took effect on July 22, 2015.

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, as amended by the bill, prohibits a community college from entering into any new agreements after December 31, 2023. Formerly, the Act prohibited a community college from entering into new agreements after December 31, 2018.

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, under the bill, means the minimum hourly wage rate in effect as of the date the employer and community college district enter 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. Previously, that term meant the minimum hourly wage rate under the Minimum Wage Law.

MCL 389.161-389.163

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.)

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. By prohibiting the sale of new bonds after a specific date, the Act effectively establishes a sunset on the program itself.

According to the Michigan Community College Association, as of November 13, 2016, 21 Michigan community colleges were participating in the MNJTP, partnering with 134 employers through 151 separate agreements.¹ By delaying the deadline on issuing bonds for the program for five years, until December 31, 2023, the bill allows more employers to take advantage of the MNJTP. Those employers will continue to hire students out of community colleges and place them in one of the many vacant positions that otherwise might go unfilled for lack of skilled workers. Delaying the sunset also gives employers certainty that the MNJTP will continue. Assurances of the program's continued existence will encourage additional investment on the part of interested employers and allow them to plan for the future with the knowledge that skilled labor will be available.

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

Opposing Argument

The bill requires the effective minimum wage to be the minimum wage in effect at the time an agreement is or was executed. This puts employees involved with the MNJTP at a disadvantage. If a goal of the program is to create high-paying jobs, then the Act 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

¹ "Michigan New Jobs Training Program-A Community College Initiative", MCCA website.

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

FISCAL IMPACT

The bill will 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 December 31, 2015, \$19.5 million in income tax withholdings had 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 (MCCA) reports that as of January 2017, MNJTP contracts through 21 community colleges provided training for 12,425 projected new jobs. Based on the data, a job created through the MNJTP that pays \$30,000 annually will generate approximately \$900 in State income tax revenue, for an employee claiming two exemptions, and \$1,150 for an employee claiming only one exemption.

Delaying the December 31, 2018, sunset to December 31, 2023, will result in continuing diversions of income tax revenue from the State. The MCCA reports that 21 community colleges have participated in the program with total original contract values of \$73.4 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
David Zin

SASVA1516\69ea

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.