Legislative Analysis

NEW JOBS TRAINING PROGRAM BONDS

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House Bill 5697 as introduced
Sponsor: Rep. Chris Afendoulis
Committee: Appropriations
Complete to 10-1-18

(Enacted as Public Act 376 of 2018)

SUMMARY:

House Bill 5697 would amend the Community College Act with regard to the Michigan New Jobs Training Program (NJTP), which provides for diversion of employee income tax withholding to pay for costs associated with qualifying job training agreements developed between community colleges and employers. The bill would extend the sunset provision that allows community colleges to authorize and issue new revenue bonds for the program from December 31, 2018 to December 31, 2023. This would align the bond sunset with the program sunset date, which was extended under PA 130 of 2015.[1]

MCL 389.164

BACKGROUND:

The New Jobs Training Program was enacted in 2008 and commenced in 2010 under complementary amendments to the Community College Act and the Income Tax Act. Under the program, a community college and an employer can enter into an agreement under which the community college trains workers for new jobs in Michigan with training costs recouped at least in part through diversion of income tax withholding on the new jobs. A college may issue revenue bonds to cover training costs in anticipation of payments to be received under the agreement.

An agreement must do all of the following:

- Provide for program costs to be paid from a new jobs credit from withholding, or from tuition and fees or special charges.
- Include an estimate of the number of new jobs to be created by the employer.
- Provide for the minimum quarterly amount of new jobs credit from withholding that is to be paid for program costs, and for the employer to make up any shortfall if the withholding amounts are insufficient to meet the amount specified by the agreement.
- Provide for the community college to receive an administrative fee of 15% of the aggregate amount to be paid under the agreement.

To qualify as a "new job" under the program, a job has to be a full-time job in Michigan for which the wage is at least 175% of the state minimum wage, and which results in a net increase in employment in Michigan for the employer involved. The job cannot be any job that existed in the employer's business within a year preceding the date of the agreement, nor can it be a job moved from one location to another in Michigan.

[1] http://www.legislature.mi.gov/documents/2015-2016/billanalysis/House/pdf/2015-HLA-0069-5A68B76B.pdf

The total aggregate outstanding obligation of agreements established under the program may not exceed $50.0 million in a calendar year. A community college may not enter into any new agreements after December 31, 2023. Currently, a community college may not authorize, issue, or sell any new jobs training revenue bonds after December 31, 2018.

Since the NJTP began in 2010, there have been 197 authorized agreements, of which 145 were still in effect at the end of 2017. Over that period, almost $30.7 million in income tax withholding has been diverted with an additional $44.1 million outstanding based on the contracts still in effect. When the program was initiated, the intention was for community colleges to issue revenue bonds to cover the training costs, and repay the bonds with the diverted withholding. However, most contracts have been financed on a pay-as-you-go basis with current training costs being financed with the withholding capture. As such, issuing bonds to pay for the training costs has been used infrequently.

According to the Michigan Community Colleges Association, 21 of the 28 community colleges participate in the NJTP.

FISCAL IMPACT:

Because most contracts have not relied on revenue bonds as a way to finance training costs, extending the sunset to 2023 should not have any significant fiscal impact on the state.

Community colleges would be allowed to issue bonds up to the expiration date of the program, which would allow them to finance training programs as intended, resulting in a minimal fiscal impact on participating colleges.

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