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

BILL ANALYSIS

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

House Bill 5527 (as passed by the House)
Sponsor: Representative Beth Griffin
House Committee: Workforce, Trades, and Talent
Senate Committee: Economic and Small Business Development

Date Completed: 3-17-22

CONTENT

The bill would amend Chapter 13 (New Jobs Training Program) of the Community College Act to increase, from $50.0 million in any calendar year to $100.0 million in any calendar year, the allowed aggregate outstanding obligation of all bonds issued under new jobs training program (NJTP) agreements entered by community college districts.

Chapter 13 of the Community College Act allows a community college district to enter into an agreement to establish an NJTP with an employer engaged in business activities anywhere in the State to create new jobs by providing education and training or retraining of workers. To fund those agreements, Chapter 13 also allows a community college district to authorize, issue, and sell NJTP revenue bonds in anticipation of payments received from an employer under an agreement. The Chapter prohibits the aggregate outstanding obligation of all agreements entered from exceeding $50.0 million in any calendar year. The bill would increase the allowed aggregate outstanding obligation in any calendar year to $100.0 million.

BACKGROUND

Chapter 13 requires an NJTP agreement between a community college district and an employer to provide for the program costs through a new jobs credit from withholding, revenue derived from new employment because of the NJTP, or from tuition, student fees, or special charges fixed by a community college district's board of trustees. If the agreement specifies that NJTP costs must be paid from receipt of money from a new jobs credit from withholding, an employer must pay to the community college district each month the amount required to be deducted and withheld under the Income Tax Act for each new employee's wages, and the community college district must pay the amount received into a special fund to pay NJTP costs and the principal of and interest on any bonds issued for the financing of the NJTP. By April 1 of each year, each community college district that received money from a new jobs credit from withholding in the preceding calendar year must report certain information to the Department of Treasury, such as the amount of NJTP revenue bonds that the district has authorized, issued, or sold.

MCL 389.166 Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bill would have no fiscal impact on local units of government, and a small, but potentially negative, fiscal impact on State revenue. The bill would increase the maximum outstanding amount of those bonds from $50.0 million to $100.0 million. Under current law, community college districts may sell revenue bonds to finance the cost of NJTPs, using the State income tax withholding from any jobs created through those training programs to service the bonds issued. According to the most recent program report from the Department of Treasury, the program has been near its $50.0 million cap for several years, with a small amount of bonding capacity ($3.0 million to $5.0 million) being renewed each year as older bonds are repaid. The bill would increase the amount of bonding capacity by $50.0 million. Once the proposed cap was reached, the program would be in a similar situation as it is currently, with a small amount of capacity renewed each year as previously-issued bonds are repaid.

Generally, this arrangement would be revenue neutral from the State's perspective; however, to the extent that these jobs would have been created anyway, or that employees who take these jobs leave other jobs not subject to income tax withholding diversion under the program, the State would see a likely small decline in income tax revenue relative to what otherwise would have been collected. Any revenue loss under new bonds issued under the changes to the program would affect the State General Fund (76.7% of lost revenue) and the School Aid Fund (23.3% of lost revenue).

Fiscal Analyst: Josh Sefton