

## NEW JOBS TRAINING PROGRAM

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**Senate Bill 69 (reported from House Committee as H-1)**

**Sponsor: Sen. Darwin L. Booher**

**House Committee: Appropriations**

**Senate Committee: Education**

**Complete to 6-15-15**

Analysis available at  
<http://www.legislature.mi.gov>

*(Enacted as Public Act 130 of 2015)*

### SUMMARY:

The bill would amend the Community College Act with regard to the Michigan New Jobs Training Program (MNJTP), 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 postpone until December 31, 2023, a sunset provision that currently bars new agreements after December 31, 2018. It also would require agreements entered into after the bill's effective date to prohibit participating employers from claiming Michigan Business Tax credits based on employees under the agreement. Finally, the bill would clarify that "minimum wage" under the act would be the one in effect at the time of entering into an agreement.

#### New Jobs Training Program

The New Jobs Training Program was enacted in late 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:

- 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.

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, 2018, nor may it authorize, issue, or sell any new jobs training revenue bonds after December 31, 2018.

#### Proposed Changes

The bill would amend the Community College Act to:

- Postpone until December 31, 2023, a sunset provision that currently bars new agreements after December 31, 2018.
- Require agreements entered into after the bill's effective date to prohibit participating employers from claiming Michigan Business Tax credits based on those employees.
- Specify that "state minimum wage" under the program be the minimum hourly wage in effect as of the date of the agreement established under the former state Minimum Wage Law or under the Workforce Opportunity Wage Act, as applicable.

MCL 389.161, et al.

#### **FISCAL IMPACT:**

The bill would have a small negative impact on state income tax collections, commencing in 2019. The bill would change the MNJTP sunset date from December 31, 2018, to December 31, 2023, continuing the diversion of individual income tax withholding an additional five years. In 2012 the amount diverted was \$2.9 million. If this represented the diversion in an average year, the General Fund would have approximately \$2.2 million diverted, while the School Aid Fund would have \$700,000 in diverted revenue. The amount of any new diversion cannot be estimated in advance, because it will depend on the individual decisions of, and agreements between, community colleges and local businesses.

The extent to which this can be considered a loss rather than a diversion of state income tax revenue depends on whether these jobs would have been created in the first place. For example, if all of the jobs created by the program would not have happened otherwise, the \$2.9 million in 2012 is best considered a diversion of revenue. If these jobs would have been created absent the existence of the program, then this cost can be considered a loss of state revenues. Reality is likely to be more of the former. The bill would have no direct fiscal impact on community colleges.

The stipulation that a participating employer cannot count these new jobs towards the benchmarks required to receive certain credits issued under the Michigan Business Tax (MBT) may have an impact on future participation in the program. Since a participating employer does not receive any direct tax benefits for participating in the New Jobs Training Program, firms receiving MBT certificated credits may have less of an incentive to participate in the program. Recipients of certificated credits under the MBT include many manufacturing and other large firms.

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