



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 946 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Jack Brandenburg
Committee: Michigan Competitiveness

Date Completed: 8-25-16

CONTENT

The bill would create the "Work Opportunity Act" to do the following:

- **Require the Department of Talent and Economic Development (TED) to establish and implement a work opportunity employer reimbursement program to provide grants to employers for hiring people who were on probation or parole.**
- **Create the "Work Opportunity Employer Reimbursement Fund".**
- **Allow the Department's Talent Investment Agency to spend money from the Fund, upon appropriation, for grants issued under the Act and for not more than one full-time employee to administer the grant program.**
- **Specify the amount of a grant per employee, but limit grants to not more than \$7,200 per employer per fiscal year.**
- **Require TED to prepare an annual report regarding the Fund and submit it to the legislative committees with jurisdiction over corrections issues.**

Grant Program

The Department would be required to establish and implement a work opportunity employer reimbursement program that used money from the proposed Fund to provide grants to employers for the hiring of qualified employees (individuals currently on probation or parole). The grant program would have to require that an employer applying to receive a grant employ at least one qualified employee in a qualified new job for at least 120 hours.

An employer that wished to apply for a grant would have to submit to TED an application containing information required by the Department, including the following:

- The employer's Federal employer identification number or the Department of Treasury number assigned to the employer.
- The qualified employee's Department of Corrections number, if applicable, and the status of the employee's parole or probation.
- The amount of qualified first-year wages.

If TED approved a grant, it would have to notify the employer. Upon confirmation that the employer had hired a qualified employee who worked at least 120 hours in a qualified new job, the Department would have to approve and disburse grant funds to the employer as follows, subject to the per-employer per-year dollar limit:

- For a qualified employee who worked at least 120 hours but not more than 400 hours, an amount equal to 25% of the qualified first-year wages or \$1,500, whichever was less.

- For a qualified employee who worked more than 400 hours, an amount equal to 40% of the qualified first-year wages or \$2,400, whichever was less.

The Department could not approve a grant of more than \$7,200 per employer per fiscal year.

"Employer" would mean an employer as defined in the Internal Revenue Code (26 USC 3401). Any person required to withhold for Federal income tax purposes would be prima facie deemed an employer.

"Qualified new job" would mean a full-time job created by the employer or another full-time job previously held by another employee who separated from employment voluntarily or for cause. "Full-time job" would mean a service performed by an individual for 35 hours or more each week and whose income and Social Security taxes are withheld from the wages earned for performing the service.

"Qualified first-year wages" would mean the wages paid or incurred by the employer attributable to services rendered by a qualified employee during the one-year period beginning with the day the qualified employee begins work for the employer.

Reimbursement Fund; Annual Report

The Work Opportunity Employer Reimbursement Fund would be created within the State Treasury. The State Treasurer could receive money or other assets from any source for deposit into the Fund and would have to direct the investment of the Fund. The Treasurer would have to credit to the Fund any interest and earnings from Fund investments. Money in the Fund at the close of the fiscal year would have to remain in it and could not lapse to the General Fund.

The Michigan Talent Investment Agency would be the administrator of the proposed Fund for auditing purposes. The Agency could spend money from the Fund, upon appropriation, only for one or both of the following purposes:

- Grants issued pursuant to the proposed grant program.
- Not more than 10% of the money appropriated from the Fund for the employment of up to one full-time equated employee to administer the grant program.

The Department would be required to prepare an annual report that described the money received by the Fund, the balance of the Fund, the total expenditures from the Fund, and the number of grants issued with money from the Fund for that year. The Department would have to give the report to the standing committees of the Senate and House of Representatives with jurisdiction over corrections issues.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would result in increased costs to the Department of Talent and Economic Development. There would be administrative costs to the Department to process and approve the requests for reimbursement for qualified employees. The bill would allow up to 10% of the proposed Fund, for up to one FTE, for administration. At this time, it is estimated that the staff and appropriations level in the bill would be sufficient to meet the added administrative costs. The program also would have additional costs, which would depend on the number of applicants as well as the appropriations level. If \$500,000 were appropriated for this purpose, it would provide reimbursement for up to 333 part-time employees or 208 full-time employees, or some combination of the two. If the number of positions eligible for reimbursement required more funds than the amount appropriated, the excess would not

receive reimbursement as there is no provision in the bill for proration. However, if reimbursement for the number of qualified positions were less than the amount appropriated, the program would be able to carry the unused funds forward.

The bill would have no fiscal impact on local government.

Fiscal Analyst: Cory Savino

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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.