

Legislative Analysis



NEW JOBS TRAINING PROGRAM LIMIT

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5527 as introduced
Sponsor: Rep. Beth Griffin
Committee: Workforce, Trades, and Talent
Complete to 12-1-21

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

SUMMARY:

House Bill 5527 would amend Chapter 13 (New Jobs Training Program) of the Community College Act to raise the limit of the aggregate outstanding obligation of all agreements under the chapter to \$100.0 million in a calendar year.

In 2008, the New Jobs Training Program (NJTP)¹ authorized community college districts to operate a program through which the districts enter into training agreements with Michigan employers to train and educate new employees. The program allows diversion of those new employees' income tax withholding directly to the community colleges rather than to the state treasury. The community colleges can issue bonds to finance training programs, with the bonds financed by the income tax withholding payments.

As of December 31, 2020, there were 181 agreements involving 22 community colleges in effect under the NJTP.

Currently, the aggregate outstanding obligation may not exceed \$50.0 million in any calendar year. The bill would raise that limit to \$100.0 million in a calendar year.

MCL 389.166

BACKGROUND:

During the 2019-20 legislative session, House Bill 4184 proposed raising the cap to \$75.0 million in a calendar year.² That bill was referred from the House Education committee to the House Ways and Means committee.

FISCAL IMPACT:

As of December 31, 2020, the New Jobs Training Program has resulted in \$52.9 million of tax withholding being diverted from the state. Divided over the 10 years the program has been in place, this results in a cost of \$5.3 million a year in lost tax revenue for the state. Increasing the outstanding contract cap to \$100.0 million would allow for additional

¹ House Fiscal Agency analysis of 2008 PAs 359 and 360 (SB 1342 and HB 6185)

<http://www.legislature.mi.gov/documents/2007-2008/billanalysis/House/pdf/2007-HLA-6185-7.pdf>

² <http://www.legislature.mi.gov/documents/2019-2020/billanalysis/House/pdf/2019-HLA-4184-E4F62D1C.pdf>

employer contracts to be made with community colleges; therefore, the lost tax withholding revenue could increase.

Community colleges could see a slight increase in revenue if additional contracts are made with employers and allow for an increased number of students to receive training through those contracts. However, it is not possible to calculate how many additional students or how much increased revenue could result for community colleges by increasing the outstanding balance cap.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.