



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

BILL ANALYSIS



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

Senate Bills 739 through 741 (as introduced 11-30-21)
Sponsor: Senator Kimberly A. LaSata (S.B. 739 & S.B. 740)
Senator Wayne A. Schmidt (S.B. 741)
Committee: Economic and Small Business Development

Date Completed: 3-17-22

CONTENT

Senate Bill 739 would amend Chapter 13 (New Jobs Training Programs) of the Community College Act to do the following:

- **Decrease, from 175% of the State minimum wage to 125% of the State minimum wage, the required threshold for a wage paid for a new job under a new jobs training program (NJTP).**
- **Increase, from \$50.0 million in any calendar year to \$75.0 million in any calendar year, the allowed aggregate outstanding obligation of all bonds issued under NJTP agreements entered by community college districts.**

Senate Bill 740 would amend Chapter 13 of the Community College Act to extend, from December 31, 2023, to December 31, 2028, the sunset on a community college district's authority to authorize, issue, or sell NJTP revenue bonds.

Senate Bill 741 would amend Chapter 13 of the Community College Act to extend, from December 31, 2023, to December 31, 2028, the sunset on a community college district's authority to enter new NJTP agreements.

Senate Bill 739 is discussed in further detail below.

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.

"New job" means a full-time job in the State that meets the criteria prescribed in the Act, including that the wage paid for the job must equal or exceed 175% of the State minimum wage. The bill would decrease the required threshold for a wage paid for a new job to 125% of the State minimum wage. (As of January 1, 2022, Michigan's minimum wage is \$9.87.)

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 to fund an NJTP's cost. 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 \$75.0 million. (See **BACKGROUND** for more information concerning NJTP financing.)

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 389.161 & 389.166 (S.B. 739)
389.164 (S.B. 740)
389.162 (S.B. 741)

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bills would have no fiscal impact on local units of government, and a small, but potentially negative, fiscal impact on State revenue. The bills would extend the sunset date for new bonds issued under the New Jobs Training Program from 2023 to 2028 and would increase the maximum outstanding amount of those bonds from \$50.0 million to \$75.0 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 bills would increase the amount of bonding capacity by \$25.0 million; however, 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

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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.