

Legislative Analysis



NEW JOBS TRAINING PROGRAM LIMIT

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

House Bill 4184 as referred to second committee

Sponsor: Rep. Diana Farrington

1st Committee: Education

2nd Committee: Ways and Means

Complete to 12-8-19

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

SUMMARY:

House Bill 4184 would amend Chapter 13 (New Jobs Training Program) of the Community College Act to raise the limit of aggregate outstanding obligation of all agreements under the chapter to \$75.0 million in a calendar year.

In 2008, the New Jobs Training Program¹ 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.

Currently, the aggregate outstanding obligation may not exceed \$50.0 million in any calendar year. The bill would raise that limit to \$75.0 million in a calendar year.

MCL 389.166

FISCAL IMPACT:

As of December 2018, the New Jobs Training Program has resulted in \$37.1 million of tax withholding diverted from the state. Divided over the 8 years the program has been in place, this results in a cost of \$4.6 million a year in lost tax revenue for the state. Increasing the outstanding contract cap to \$75.0 million would allow for additional 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.

¹ House Fiscal Agency analysis of PAs 359 and 360 of 2008 (SB 1342 and HB 6185):
<http://www.legislature.mi.gov/documents/2007-2008/billanalysis/House/pdf/2007-HLA-6185-7.pdf>

ARGUMENTS:

For:

Supporters advanced the bill as a way of training more Michiganders in needed skills. With a current cap of \$50 million on agreements, proponents argued that the cap was quickly met and a waiting list created. While community colleges can work with prospective employers who are interested in the program, some said that they are currently limited until existing agreements are completed and cap space become free. According to committee testimony, 22 of the 28 community colleges already participate in the program.

Against:

Critics argued that this program was created during the recession to stimulate employment and job training and that state funding may no longer be necessary. After all, given the improved economic outlook and having seen the positive effects of investment in job training, shouldn't employers be paying for this type of training themselves?

POSITIONS:

The following entities testified in support of the bill (9-10-19):

Michigan Community College Association
Grand Rapids Community College
Macomb Community College
Drake Enterprises, Inc.

The following entities indicated support for the bill:

Oakland Community College (9-10-19)
Lake Michigan College (9-10-19)
Jackson College (10-8-19)
Northwestern Michigan College (9-5-19)
Technique, Inc. (9-6-19)
Commonwealth Associates, Inc. (9-5-19)

The State Budget Office indicated opposition to the bill. (10-8-19)

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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.