

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

Winter 2013



### **New Jobs Training Program** **By Bill Bowerman, Associate Director**

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#### **Introduction**

Public Act 359 of 2008 amended the Community College Act, and Public Act 360 of 2008 amended the Income Tax Act to create the New Jobs Training Program. The legislation enables community colleges to provide free education and training, or retraining, through local agreements with employers to create new jobs or expand existing operations in Michigan. The program costs are funded by the capture of the State income tax associated with the new employees' wages. This article provides an overview of the program impact since 2008.

#### **Background**

The New Jobs Training Program was designed as an economic development tool. A community college district may enter into an agreement to establish a project with an employer engaged in business activities anywhere in Michigan. While the legislation allows a community college to support the costs of the program itself from tuition, student fees, or special charges fixed by the college board of trustees, a key purpose of the New Jobs Training Program is to fund program costs through income tax revenue from "new jobs" created through the local agreements.

As added by Public Act 359, section 161(d) of the Community College Act defines "new job" as a full-time job in this State that meets all of the following:

- Except as provided below, is a new, existing, or expanding business of an employer.
- Is not a job of a recalled worker, a replacement job, or any other job that existed in the employer's business within the one-year period preceding the date of an agreement.
- Is not a job that is part of an employer's business operation located in a municipality in this State, if that job existed in a business operation (or a substantially similar business operation) of the employer formerly located in another municipality in this State, the employer moved that business operation to its current location, and the employer closed or substantially reduced that former business operation.
- Results in a net increase in employment in this State for that employer.
- Pays a wage for the job that is equal to or more than 175% of the State minimum wage.

#### **Financing and Agreement Requirements**

Under the legislation, community college districts are authorized to sell revenue bonds until December 31, 2018, to finance costs of the new jobs training programs. Income taxes withheld by employers from the new jobs created support the costs of the program. As described below, the agreement between an employer and a community college must include the employer's agreement to provide money to the community college if the income tax withholding amount is insufficient to pay program costs. The aggregate outstanding obligation of all agreements cannot exceed \$50.0 million in any calendar year. Community college districts are not authorized to enter into any new agreements after December 31, 2018.



Agreements with employers are required to include the following provisions:

- Program costs that may be paid from a new jobs credit from withholding, to be received or derived from new employment resulting from the project, or from tuition, student fees, or special charges fixed by the college board of trustees.
- An estimate of the number of new jobs to be created by the employer.
- A provision that fixes, on a quarterly basis, the minimum amount of new jobs credit from withholding to be paid for program costs.
- If the amount received from the new jobs credit from withholding is insufficient to pay program costs, the employer's agreement to provide money, at least quarterly, to make up the shortfall, so that the community college district receives for each quarter the minimum amount of new jobs credit from withholding that is provided in the agreement.
- The employer's agreement to mortgage, assign, pledge, or place a lien on any real or personal property as required by the community college district as security for its obligations under the agreement.
- Payment of an administrative fee to the community college district in an amount equal to 15% of the aggregate amount to be paid under the agreement.
- Other provisions the community college district considers appropriate or necessary.

### **Agreements under the Program**

To date, the program has included 31 agreements between local public community colleges and employers. Two agreements have been terminated, and one has ended due to the time period limitations contained in the agreement. The projected new jobs created from the agreements total 8,122. The outstanding balance from current agreements totals \$42.8 million, leaving \$7.2 million for future agreements. The Department of Treasury reports that through the end of 2012, \$4.6 million in State income tax withholding had been diverted from the State and paid to community colleges for costs they incurred. Due to the initial demand for the program and the large dollar amounts included in some agreements (e.g., LG Chem Michigan, Inc. at \$19.6 million and Dow Kokam MI, LLC at \$6.2 million), the Michigan Community College Association reduced the maximum amount available for individual agreements to \$200,000 and subsequently increased the maximum to \$500,000.

Table 1 provides an overview of agreements under the New Jobs Training Program.

### **Conclusion**

The New Jobs Training Program was designed to provide a funding source to train new employees for employers that are creating new jobs in Michigan. Reductions in Federal funding for workforce training heighten the demand for this type of economic development tool. Section 713 of the Income Tax Act requires the Department of Treasury to report on the operation and effectiveness of the New Jobs Training Program and the corresponding Michigan income tax withholding requirements that fund the program. The annual reports are required to include statistics regarding the number of community colleges and employers participating in the new jobs training program; the total amount of money from a new jobs credit from withholding remitted to the community colleges; revenue bonds authorized, issued, or sold; the number of

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degrees or certificates awarded to program participants in the calendar year; the number of individuals who entered a program at each community college district in the calendar year, who completed the program in the calendar year, and who were enrolled in a program at the end of the calendar year; and the number of individuals who completed a program and were hired by an employer to fill new jobs. As shown in Table 1, agreements in place are designed to generate 8,122 new jobs in the State of Michigan. Whether the New Jobs Training Program is actually effective in creating new jobs (i.e., whether these new jobs would have been created without the program) is the question that needs to be addressed before the program is expanded or continued after December 31, 2018.

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**Table 1**

<b>Community College New Jobs Training Program</b>					
<b>College/Business</b>	<b>Industry</b>	<b>Projected New Jobs</b>	<b>Agreement Amount</b>	<b>State Income Tax Withholding Diverted</b>	<b>Total Outstanding</b>
<b><u>Delta</u></b>					
Dow Kokam MI, LLC	Motor vehicles and equipment manufacturing	750	\$6,190,048.00	\$323,664.87	\$5,866,383.13
Eco Bio Plastics	Paper shredding technology	30	200,000.00	0.00	200,000.00
<b><u>Grand Rapids</u></b>					
Energetx <sup>1)</sup>	Miscellaneous manufacturing	N/A	N/A	0.00	0.00
Haworth	Partitions, shelving, lockers, office & store fixtures	100	551,378.36	490,738.61	60,639.75
Transmatic Inc.	Miscellaneous fabricated metal products	70	1,023,195.00	99,172.70	924,022.30
Farmers Group Inc.	Insurance	1,289	5,692,279.00	1,204,655.30	4,487,623.70
Johnson Controls SAFT	Motor vehicles and equipment manufacturing	130	2,047,690.00	359,068.55	1,688,621.45
Autocam Corporation	Screw machine products	15	213,429.00	45,012.40	168,416.60
LG Chem Michigan, Inc.	Motor vehicles and equipment manufacturing	3,123	19,630,500.00	263,897.58	19,366,602.42
Altronics Energy	Alternative energy	51	200,000.00	0.00	200,000.00
<b><u>Jackson</u></b>					
ADCO Products, Inc. <sup>2)</sup>	Miscellaneous chemical products	32	70,248.51	44,863.52	0.00
BioDri Michigan <sup>1)</sup>	Sanitary services/Alternative energy	N/A	7,364.58	7,364.58	0.00
Great Lakes Industry	Miscellaneous fabricated metal products	51	184,964.85	50,601.72	134,363.13
LifeWays	Miscellaneous health and allied services	25	275,195.00	56,094.25	219,100.75
TAC Manufacturing	Precision machining and metal spinning services	12	48,441.60	0.00	48,441.60
LifeWays	Miscellaneous health and allied services	35	104,660.97	17,476.18	87,184.79
Hornet Manufacturing	Fabricated metal products	33	46,897.42	0.00	46,897.42
<b><u>Lansing</u></b>					
General Motors Lansing Delta Twp.	Motor vehicles and equipment manufacturing	1,100	1,333,938.00	676,835.15	657,102.85
URV USA	Engines and turbines	276	200,000.00	0.00	200,000.00
<b><u>Monroe</u></b>					
Ventower Industries	Miscellaneous fabricated metal products	150	507,000.50	42,427.12	464,573.38

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<b><u>Mott</u></b>					
General Motors - Mott	Motor vehicles and equipment manufacturing	82	200,000.00	186,424.45	13,575.55
<b><u>Muskegon</u></b>					
ADAC Automotive	Automotive supplier	50	200,000.00	0.00	200,000.00
<b><u>Northwestern</u></b>					
Electro-Optics Technology, Inc.	Engineering, laboratory, scientific and research instruments	13	80,500.00	51,304.86	29,195.14
Century Inc.	Metal working machinery	35	199,622.00	76,434.32	123,187.68
<b><u>Oakland</u></b>					
Dokka Fasteners, Inc.	Screw machine products	76	928,050.00	157,457.62	770,592.38
Meritor Heavy Vehicle Systems, LLC	Wholesale motor vehicle equipment	125	1,684,007.10	103,111.71	1,580,895.39
WABCO North America	Motor vehicles and equipment manufacturing	121	1,911,170.05	29,796.14	1,881,373.91
Denso International America	Motor vehicles and equipment manufacturing	169	2,961,250.00	239,141.81	2,722,108.19
Oxus America, Inc.	Medical and dental instruments and supplies	38	340,167.70	10,047.75	330,119.95
EMAG, LLC	Manufacturing systems for precision metal components	21	200,000.00	11,763.42	188,236.58
<b><u>Schoolcraft</u></b>					
Changan US Research	Motor vehicles and equipment manufacturing	120	199,273.00	15,527.39	183,745.61
<b>Total</b>		<b>8,122</b>	<b>\$47,431,270.64</b>	<b>\$4,562,882.00</b>	<b>\$42,843,003.65</b>
<sup>1)</sup> Terminated agreements. Energetx's initial agreement amount was \$646,300; BioDri Michigan's initial agreement amount was \$3,430,910. <sup>2)</sup> Agreement duration completed. \$25,384.99 was returned to available funds for new agreements.					

**Sources:** Michigan Community College Association 1/9/2013 and Michigan Department of Treasury (State Income Tax diverted) 1/22/13