

**Testimony to the House Appropriations Subcommittee
On Community Colleges**

Capital Building - Room 428
100 S. Capitol Avenue, Lansing, Michigan

**A Hearing Regarding The Michigan New Jobs Training
Program (MNJTP)**

An Institutional Perspective

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Chairman Muxlow and members of the committee, good morning, my name is Daniel Phelan and I serve as president of Jackson College. I come before you today to speak about the effectiveness of 'on-the-ground' application of the Michigan New Jobs Training Program (MNJTP) and ask for your assistance in making the program an even more effective tool in the State's economic development tool chest by making the \$50 million dollar cap an annual cap versus a continuing cap.

First, some context: Jackson College (JC) is one of the State's 28 public community colleges chartered in Jackson County, but also has campuses in Lenawee and Hillsdale Counties. The College serves over 8,000 unduplicated credit students each year, as well as another 9,000 in various continuing education, contract training, and performing arts activities throughout the College's district. The College has been continuously accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, the College's regional accreditor located in Chicago, Illinois. The College is governed by a locally-elected 7-member Board of Trustees, and administer its policies though the College President who is beginning his 14 year of service to the College.

The most recent labor and economic development data for our tri-county service region incorporates numerous types of business and industry including steel production,

manufacturing, food product development, retail, finance, energy production, health care, and education. The area's current employment level totals over 94,000 workers, 45% of whom are between the ages of 45 and 65. The region's average earnings per job is \$50,560. The area's unemployment rate, according the US Bureau of Labor Statistics, is in excess of 8%, meaning that there are currently about 12,000 persons unemployed in the tri-county area

I first came to Jackson College in the early part of 2001 with work experiences in a few other mid-western community colleges located in Iowa and Kansas, having worked over there a number of years to introduce and implement an economic development incentive program similar to MNJTP. So, I bring perspective today as to the value of this program and its efficacy in other states and other community colleges.

As you know, Public Acts 359 and 360 of 2008 created the Michigan New Jobs Training Program (MNJTP). This program, designed as an economic development incentive, authorizes community colleges to engage in a contractual relationship with employers that are creating new jobs and/or expanding operations in Michigan for the purpose of funding job training. The MNJTP provides flexible funding to meet a variety of training and development needs. The assistance ranges from highly specialized and customized training to basic skill development for new jobs.

In September of 2010, Jackson College signed its first Michigan New Jobs Training Program (MNJTP) agreement. Since that time, we have engaged 13 companies in training projects totally over \$5 million dollars, training over 700 new employees. Currently, Jackson College has several active MNJTP agreements, outlining training for over 250 new positions ranging from manufacturing, engineering

and healthcare occupations. And, Jackson College is in conversation with three additional companies that will result in another \$500,000 in training initiatives.

From an operational perspective, eligible employers contact Jackson College and submit an application. The College conducts a due diligence assessment of the company's viability. The College then works with employers creating new jobs to identify training needs, develop a training plan, and calculate the needed financial support to fund training through unemployment tax diversion. Preliminary agreements are used to "set the clock," in order to lock in the date from which new employees can be counted for the project, and training expenses may be reimbursed. It is preliminary in nature and either the College or the employer can decide not to proceed. Final agreements need approval by Jackson College. Finally, the colleges administer the training program and training funds and ensure employer needs are being met and that the expectations of the state are achieved. The employer benefits through reduced costs of staff expansion, training for new employees, customized training programs, increase productivity and employee satisfaction, and the improvement of quality, profitability and customer satisfaction.

As noted previously, project proceeds can fund highly specialized customized training through your preferred provider, courses at public or private training institutions including the community college, online courses, skill assessment, testing and certification, training facilities, equipment, materials and supplies, development of customized courses and materials, and administrative expenses. Employers tell us that they are pleased to work with the College to be able to have access to essential training support for their new employees. From the College's perspective, we have trained our

department employees to ensure that each project is closely monitored, and that our reporting to the Michigan Treasury Department is thorough and accurate.

From the perspective of having help to develop and administer similar programs in two other states, I believe that the Michigan has numerous advantages over those states. For example, bond indebtedness is not required for the Michigan program, indeed, funds are diverted directly to the community college and then drawn down for the training program plan. The Michigan program also is flexible in design and implementation over other states.

However, I would note on glaring limitation of the Michigan program that does not exist in the other states: Michigan has a \$50 million dollar bond cap. This financing limitation impedes Jackson College's ability to serve existing and new companies in the following ways:

1. The College cannot be timely in establishing training project because the cap has been reached in Michigan (and we did so quickly). So, what we must do now is wait for a sufficient number of training projects to sunset so as to create enough 'headroom' to issue additional contracts. Sometimes Jackson College has waited 6 months or more for funding capacity;
2. To be fair to all community colleges in the State, and to keep some level of contracts moving throughout the State, project funding per college is now limited to \$500,000. In working with our employers, particularly larger employers, this funding level is insufficient to meet their needs and ends up being only a modest contribution to the overall economic development support in our region;

3. Because of funding limits and the timing of fund availability, the College is placed in the unenviable position of choosing which companies will get funding and which will not.

If the MNJTP effort could have the \$50 million dollar cap changed from a continuous cap, to an annual cap, as was intended, the three aforementioned limitations go away as there would be sufficient capacity throughout the State such that MNJTP would be a meaningful contributor to the State's expansion.

Next week, I will be sitting down with a new company prospect considering location in our community. I will do so with the President of our Economic Development Board, our Michigan Works Agency, with representatives from MEDC, our Chamber, and other business leaders. The number one priority on this potential employer's mind, as in most economic development meetings with prospects is the availability of labor, the availability of higher education institutions to provide needed worker training, and funding support. As I noted earlier with our current unemployment rate in Jackson, we have the labor availability, there are three higher education intuitions in Jackson, so those bases are covered. We would like to be able to add to our overall proposal a significant funding mechanism to be able to assist this company with employee training. MNJTP could be that tool, but for the funding cap. So, instead, I will offer up to \$500,000, which I may get in 6-9 months, oh and at the loss of helping existing companies in Jackson with their expansion plans. This is simply untenable and limits the full strength of a program of this type.

I respectfully request the recalibration of the Michigan New Jobs Training Program to reflect a \$50 million dollar annual cap for the economic benefit of this state, and the education of its citizens.