

How Program Works: 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 create a training pool (financing mechanism is flexible, colleges can issue debt, borrow from reserves, or use a pay-as-you-go model) to support employers that are creating new jobs and/or expanding operations in Michigan. The training for the newly hired workers is paid by capturing the state income tax associated with the new employees' wages and redirecting it to the college, instead of the state.

These are local agreements, between an employer and the community college Board of Trustees. There are no restrictions on the type of training delivered, employer size or industries served. It is a very flexible tool, focused on meeting the training needs of employer creating new jobs. The colleges report on an annual basis to the Michigan Department of Treasury on all existing MNJTP agreements.

Employers / Industries Served by the Program: A number of industries are supported by the MNJTP, for example Motor Vehicles & Equipment Manufacturing, Engines & Turbines, Plastics & Synthetics Manufacturing, Engineering & Architectural Services, Laboratory, Scientific & Research Instruments, Insurance; Health & Allied Services, Medical & Dental Instruments and Supplies, Data Processing Services and Agricultural Services. Employers range in size from large employers like General Motors, Denso International, and Farmers Group, to medium size employers like Cargill Kitchen Solutions, Chagan US Research & Development Center, and Grace Engineering. Program also serves small and start-up employers like Eco Bio Plastics, Electro-Optics Technology, Smooth Logistics and TentCraft Inc.

Benefits of Program:

- Employers have “skin in the game”, namely they have to **hire employees and create new jobs FIRST**, before getting the benefit of free training.
- Program **eliminates the skills gap**; the training delivered to the new employees is *exactly* what the employers require. Most of the training funded by the MNJTP is contract-based, company-specific training.
- This is a **local program** (individual community colleges work directly with employers and local economic development to support job creation), and there are no restrictions by industry, employer size or type of training.

MCCA Position: The MCCA supports HB 5697 (Afendoulis), which would extend the sunset on bonding authority to December 31, 2023 to match the rest of the program. When the MNJTP was created, the program had a December 31, 2018 sunset. In 2015, the Legislature extended the sunset on new contracts to December 31, 2023 (PA 130 of 2015). However, there is also a sunset on the section that allows colleges to issue bonds, which was not changed and is still set for December 31, 2018. HB 5697 would be a technical fix to the legislation to have the same sunset date for the program and the funding mechanism.

MNJTP BY THE NUMBERS

Employers Served by the Program: 193

Number of Projected New Jobs Supported by Existing MNJTP Agreements: 21,794

Participating Community Colleges: 21

Note: MNJTP program data updated on 9.5.18.

Michigan New Jobs Training Program

Pay-Forward Structure Evidenced by a Revenue Bond

Frequently Asked Questions

Q1. What is the pay-forward model?

- A. The pay-forward model is a structure wherein the community college issues a draw-down revenue bond to finance the training. The revenue bond is purchased by the employer with an initial payment (installment) sufficient to begin training and periodic installments thereafter as funds are needed to continue the training.

Q2. Why is a revenue bond required?

- A. The revenue bond allows the college to evidence its repayment obligation to the employer for the training funds which are advanced in installments. Because the installments provided by the employer are expected to be repaid, the obligation constitutes a debt for State law purposes. The college may only incur debt as expressly authorized by State statute. The New Jobs Training Program codified in the Community College Act allows the college to incur debt to fund new jobs training programs, but only through the issuance of revenue bonds.

Q3. What is a draw-down bond?

- A. A draw-down bond is a bond which is issued for a not-to-exceed amount with a portion of the funds delivered at closing and future funds (or draws on the bond) delivered thereafter in periodic installments up to the not-to-exceed amount. The installments are used to fund ongoing new job training needs.

Q4. How is the revenue bond repaid?

- A. New jobs training revenue bonds are payable solely from new job credits from withholding (state income tax withholdings diverted by the employer to the college).

Q5. What if the New Job Credits from Withholding are Insufficient to Repay the Bond?

- A. In the event that the new job credits from withholding are insufficient to repay the bond, the bondholder (i.e. the employer) is not repaid. To protect the college from