

The Economic Benefits of the Michigan New Jobs Training Program

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As Michigan employers continue to regain their footing following the Great Recession, many are considering hiring new workers, who may need to acquire specific skills and be trained. The Michigan New Jobs Training Program (MNJTP) leverages the job training strengths of local community colleges to help employers fill newly created jobs. These localized, employer-driven job training programs are funded with the state Individual Income Tax revenue captured from newly created jobs. Demand for the program has outstripped the available funding (there is a statutory cap), which has prevented many employers from participating and has resulted in a waiting list.

Purpose of Report. The Michigan Community College Association (MCCA) commissioned Anderson Economic Group (AEG) to review the MNJTP working under the current statutory \$50 million cap to determine the economic benefit of the program in 2012 and in the long-run, which we call the “steady state.” The MCCA also asked AEG to estimate the net impact on tax collections, after accounting for the colleges’ capture of the state Individual Income Tax revenue.

Summary of Findings

1. In 2012, the colleges captured \$2.9 million of Individual Income Tax revenue. This annual amount will increase consistently and gradually, but not reach more than \$13.3 million annually.

There is a statutory \$50 million aggregate cap on the amount of outstanding training agreements in effect in any calendar year. As more new jobs are filled under existing contracts, the income tax on their earnings are diverted to the community colleges. This in turn frees up room for colleges to enter into new training contracts with employers. We estimate that in the long run the maximum amount of income tax-diverted will be \$13.3 million and will likely plateau at \$12.2 million for each year afterwards.

2. We estimate that the MNJTP net economic impact on the State of Michigan was over \$76 million of additional earnings and 2,266 additional jobs in 2012, and in the “steady state” will increase to \$143 million of additional earnings and 4,768 additional jobs.

We define *net economic impact* as the new economic activity directly or indirectly caused by the MNJTP, excluding any economic activity associated with this program that merely replaces other economic activity in the state. Given the greater uncertainty in the long run involving Michigan’s economy and the labor market, we estimate that only 70% of employment and 60% of earnings would not have occurred without the MNJTP. We estimate that the long term or steady state impact of the MNJTP still yielded net benefits of \$143 million earnings and over 4,700 new jobs annually for the State of Michigan.

3. We estimate that the MNJTP generated an additional \$3.3 million of state and local tax revenue in 2012 and will have little to no net fiscal impact in the steady state.

Although \$2.9 million of state Individual Income Tax revenue was diverted to reimburse colleges for job training expenses in 2012, this revenue loss was more than offset by additional state income tax (\$1.6 million), sales tax (\$1.7 million), and state and local property tax (\$2.8 million). After the expiration of all existing contracts and as the program operates in the steady state, we estimate that at least \$12.0 million of income tax will be captured annually. This revenue loss will be offset by an equal amount of additional income, sales, and property tax revenue generated by the MNJTP’s economic activity.

About the Study’s Author. Anderson Economic Group is a research and consulting firm specializing in providing independent economics, public policy, finance, business valuation, and industry analysis. The firm has offices in East Lansing, Michigan and Chicago, Illinois.