

WORK OPPORTUNITY ACT

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Senate Bill 14 (reported from House committee as H-1)

Sponsor: Sen. Jack Brandenburg

House Committee: Michigan Competitiveness

Senate Committee: Michigan Competitiveness

Complete to 3-6-17

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

BRIEF SUMMARY: Senate Bill 14 would create the Work Opportunity Act, which would require the Department of Talent and Economic Development (TED) to provide grants for employers' hiring of qualified individuals on probation or parole.

FISCAL IMPACT: The bill would increase both administrative and programmatic costs for the Department of Talent and Economic Development, specifically the Talent Investment Agency. The scope of the Work Opportunity Employer Reimbursement Program would depend entirely on the funds available to support grants to employers. The provisions of the bill include no appropriation to the Work Opportunity Employer Reimbursement Fund. Therefore, a subsequent legislative appropriation or the creation of a revenue stream to the fund would be necessary to begin the program and determine its scope. A legislative appropriation from the fund would be required to expend money from the fund for program purposes.

The provisions of the bill would limit administrative costs to 10% of the funds appropriated for the program and the employment of not more than one full-time equated position. Any administrative funds would support program development, application review, reporting requirements, and staffing costs.

THE APPARENT PROBLEM:

In seeking re-entry into the workforce, an ex-felon is confronted with myriad challenges, including appealing to employers who are not eager to accept the risk of hiring an ex-felon. This program would seek to mitigate that risk, by offering grants of a portion of the ex-felon's salary to employers who hire qualified ex-felons.

THE CONTENT OF THE BILL:

The **Work Opportunity Employer Reimbursement Program** created by the bill would allow employers to apply for grants from TED, identifying the employer, the ex-felon eligible for the program ("qualified ex-felon"), and the amount of the wages eligible for the grant. If approved, TED would notify the employer, obtain additional documentation, and disburse the funds based on the number of hours for which the employer is eligible, as follows:

- For a qualified ex-felon who worked between 120-400 hours, an amount equal to 25% of the qualified first year wages or \$1,500, whichever is less.

- For a qualified ex-felon who worked more than 400 hours, an amount equal to 40% of the qualified first-year wages, or \$2,400, whichever is less.
- The bill caps grants at \$7,200 per employer per fiscal year, with a limit of one year per qualified ex-felon.

The bill defines *qualified first year wages* as the wages paid or incurred by the employer attributable to services rendered by a qualified ex-felon during the one-year period beginning with the day the qualified ex-felon begins work for the employer.

Qualified ex-felon is defined in the bill as an individual who is certified by the Michigan Unemployment Insurance Agency (UIA) as having been convicted of a felony under any statute of the United States or any state and having a hiring date that is not more than one year after the last date on which the individual was convicted or released from prison and who is currently on probation or parole.

Funding for the grant program may come "from any source" and will be deposited into a **Work Opportunity Employer Reimbursement Fund** created within the state treasury. The state treasurer will receive that money or assets for deposit into the fund, and direct and track investments, interest, and earnings. The Michigan Talent Investment Agency (TIA) in TED will be the administrator of the fund for auditing purposes. Also, TIA may only expend money in the fund for grants under the program, or to hire an individual into a full-time equivalent position to administer the grant program. (Not more than 10% of the money appropriated from the fund may be used for the individual's employment).

Finally, the bill would require TED to prepare an **annual report on the program**, describing the money received by the fund, the fund's expenditures and balance, and the number of grants issued that year. TED would provide the report to the House and Senate standing committees with jurisdiction over corrections issues.

HOUSE COMMITTEE ACTION: The H-1 substitute adopted and reported by the House Michigan Competitiveness Committee changed references to a "qualified employee" (defined as a person on probation or parole) to a "qualified ex-felon" (and adding the requirements that the person be certified by the Michigan UIA as having been convicted of a felony and hired within one year of release from prison). It also provides that a grant for a qualified ex-felon may not exceed one year.

ARGUMENTS:

For:

Proponents pointed to the success of the federal Work Opportunity Tax Credit (WOTC),¹ which offers a tax credit to businesses which hire from qualified members of the following nine targeted groups of job seekers:

- Qualified veterans (veterans on food assistance and disabled and/or unemployed veterans);

¹ https://www.michigan.gov/documents/uia/WOTCbrochure_211995_7.pdf

- Long-term Temporary Assistance for Needy Families (TANF) recipients;
- Short-term TANF recipients;
- Food assistance recipients;
- Designated community residents (those who live "Rural Renewal Counties");
- Vocational rehabilitation referrals;
- Ex-felons;
- Supplementary Security Income recipients; and
- Qualified long-term unemployment recipients.

Against:

Opponents argued that, rather than incentivizing the hiring of parolees and probationers, the legislature should offer incentives for hiring of veterans, as they are more deserving of support and assistance.

Response:

Veterans do not face the same stigma in securing jobs, others replied. Ex-felons often have a hard time even securing interviews, as employers employ a checkbox on job applications that asks whether an applicant has a criminal record. Some say an incentive in the form of a reimbursement for employers would help to offset the potential risk they take in employing an ex-felon.

Against:

As noted above in ***Fiscal impact***, this legislation does not include an appropriation for the proposed Work Opportunity Employer Reimbursement Fund. Without that appropriation, the program and fund have no revenue source, and the bill might have no actual effect.

Against:

Some might also argue that, because the grants issued by the fund are limited in duration to a year for each qualified ex-felon, employers could hire an ex-felon for the term of the grant, fire that ex-felon, and then hire another for the purpose of securing a new grant.

POSITIONS:

The following organizations indicated support for the bill

- Kelly Services (2-8-17)
- Goodwill Industries of Greater Detroit (2-8-17)
- Michigan Catholic Conference (2-8-17)
- Michigan Sheriff's Association (3-1-17)
- Grand Rapids Chamber (3-1-17)
- The office of the Attorney General (3-1-17)

The Michigan Association of Counties is neutral on the bill. (2-8-17)

The Citizens Alliance on Prisons and Public Spending is neutral on the bill. (3-1-17)

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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.