



Budget Briefing: Labor and Economic Opportunity

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Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics

Department of Labor and Economic Opportunity (LEO)

- Chief economic development, workforce development, and affordable housing department in state government; includes Unemployment Insurance Agency
- Inside LEO:
 - Michigan Economic Development Corporation (MEDC)
 - Michigan Strategic Fund (MSF)
 - Workforce Development
 - Michigan State Housing Development Authority (MSHDA)
 - Unemployment Insurance Agency (UIA)
 - State Land Bank Authority
 - Bureau of Employment Relations
 - Michigan Occupational Safety & Health Administration (MIOSHA)

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2019-20 is October 1, 2019 through September 30, 2020.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

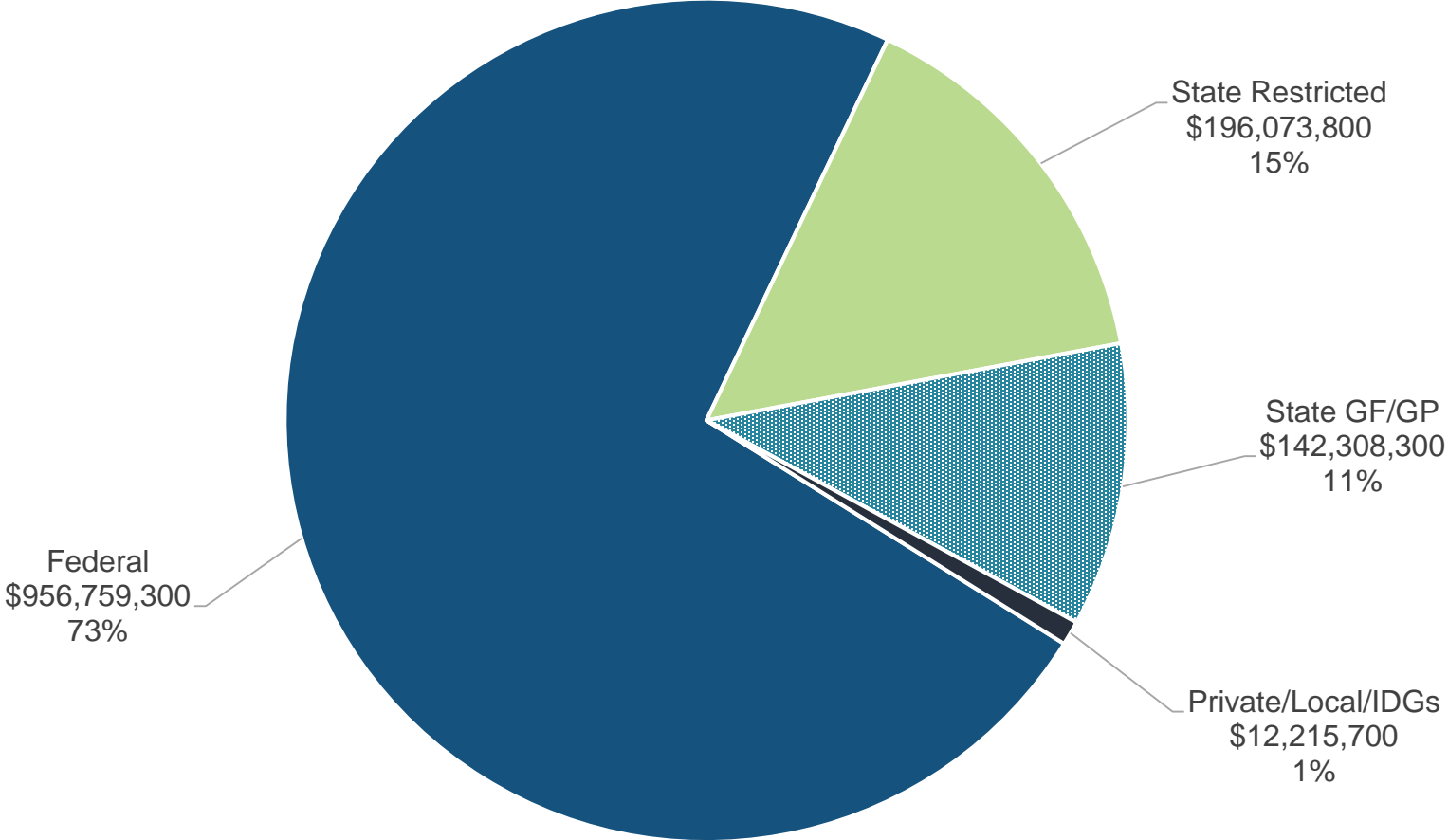
Funding Sources

FY 2019-20 Labor and Economic Opportunity Budget

Fund Source	Funding	Description
Gross Appropriations	\$1,307,357,100	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	0	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$1,307,357,100	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	956,759,300	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	5,900,000	Revenue received from local units of government for state services
Private Revenue	6,315,700	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	196,073,800	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$142,308,300	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

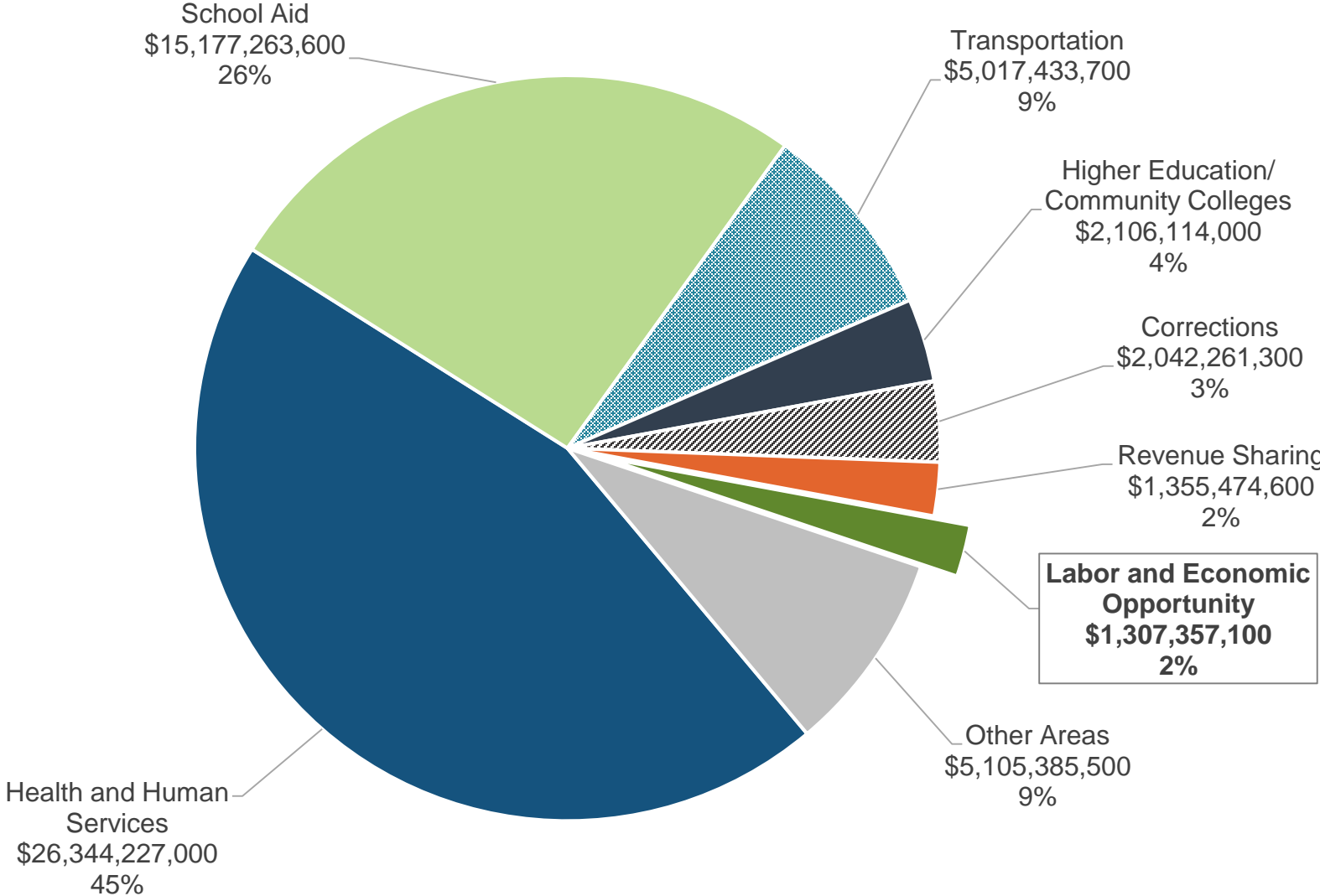
FY 2019-20 Fund Sources

Approximately **73%** of the **\$1.3 billion** LEO budget is funded by federal revenue, including Workforce Investment Opportunity Act funds, Unemployment Insurance, Community Development Block Grants, and other Department of Labor and Education funds.



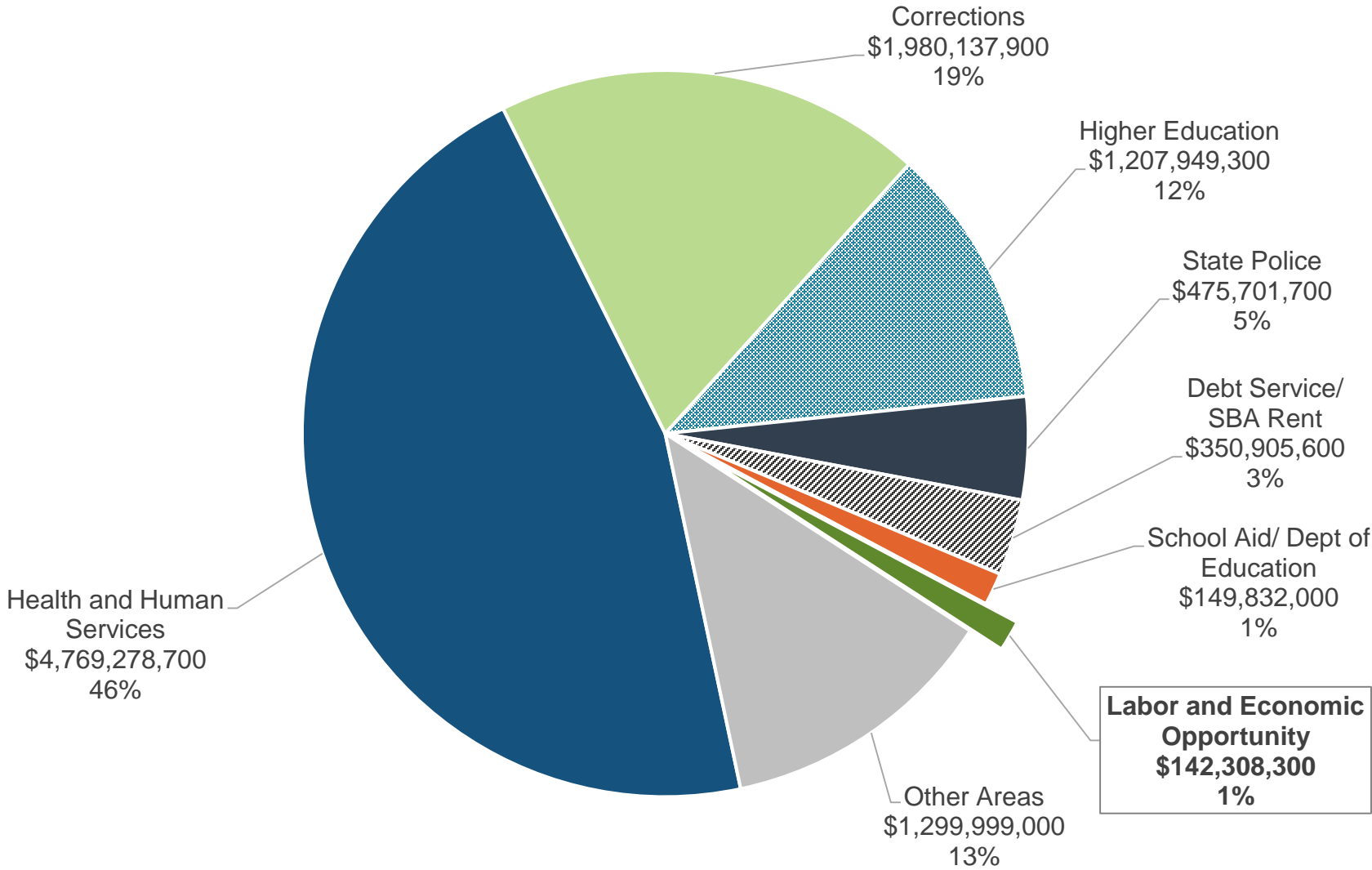
LEO Share of Total State Budget

The LEO budget represents approximately 2% of the \$58.5 billion state budget (adjusted gross) for FY 2019-20.



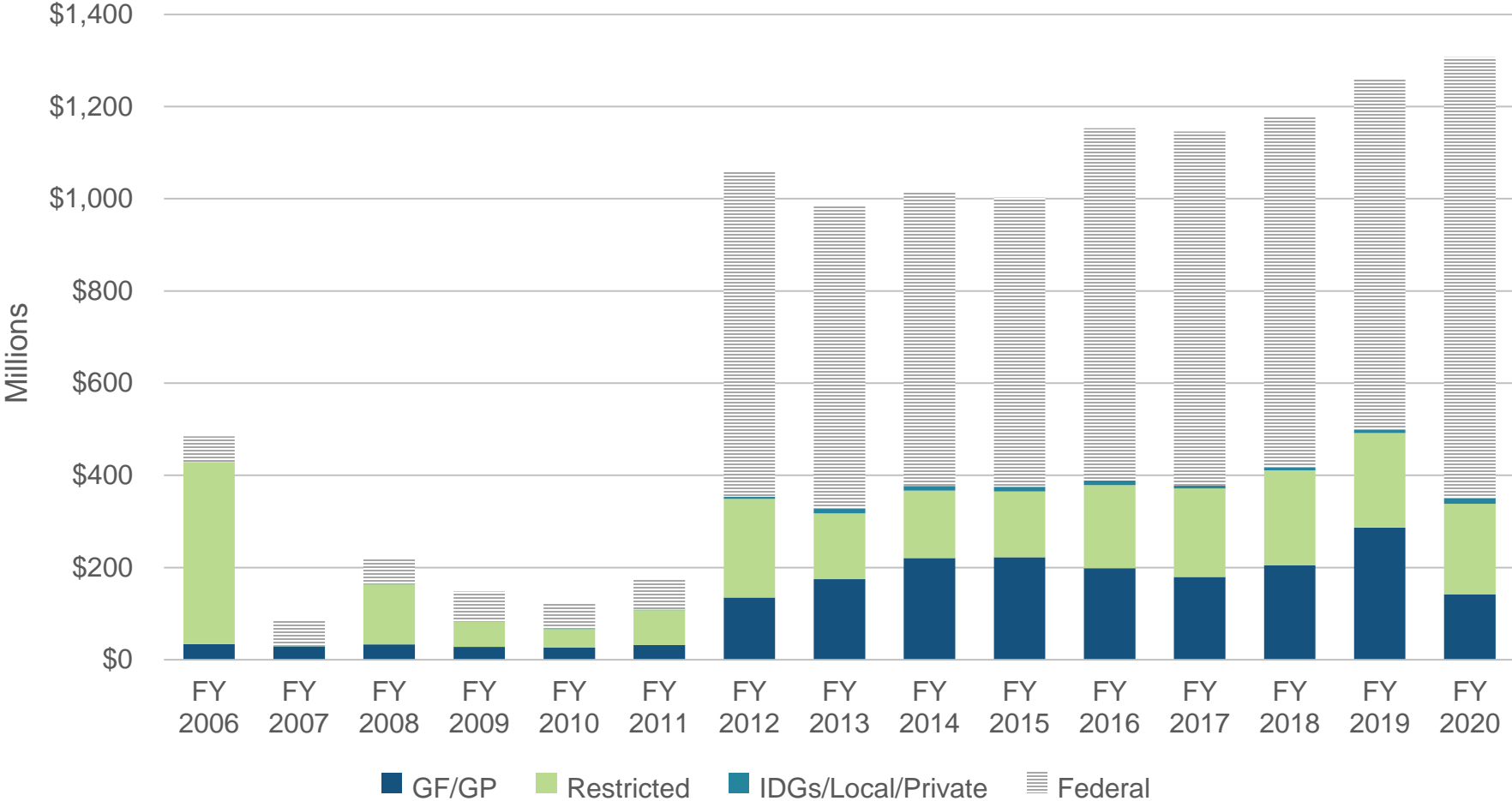
LEO Share of Total GF/GP Budget

The LEO budget also represents approximately 1% of the state's \$10.4 billion GF/GP budget for FY 2019-20.



LEO Funding History

Funding for LEO (formerly the Department of Talent and Economic Development) has grown by **270%** since FY 2005-06, driven mainly by the expansion of GF/GP funded economic development programs after the elimination of tax credits and the transferring in of the Workforce Development Agency (WDA), MSHDA, UIA, and MLBFTA from other departments. FY 2019-20 increase mainly due to Executive Order 2019-13 transferring in additional programs from DHHS/LARA creating LEO.



Note: Amounts do not include corporate revenue received from tribal gaming

Appropriation Areas

LEO Appropriation Areas

Departmental Administration: Provides funding for director, deputy directors, and corresponding executive office administration

Michigan Economic Development Corporation/Michigan Strategic Fund: Supports programs that work with businesses and communities to retain and expand jobs through coordination of business assistance and community development services; arts and cultural grants; community college skilled trades equipment program debt service; tourism and business marketing; and Facility for Rare Isotope Beams debt service

Michigan State Housing Development Authority: Improves the safe and sanitary dwelling accommodations for low- and moderate-income families, senior citizens, and the handicapped; protects historic and archaeological sites; and builds cultural community property

Employment Services: Includes Worker's Disability Compensation Agency; Bureau of Employment Relations; First Responder Presumed Coverage claims; Insurance Funds Administration; Michigan Occupational Safety and Health Administration; Office of Global Michigan; Radiation Safety Section; and Wage and Hour Program

Health and Human Services Policy and Initiatives: Includes Independent Living and Michigan Rehabilitation Services for persons with disabilities

LEO Appropriation Areas (cont.)

Rehabilitation Services: Includes Bureau of Services for Blind Persons and Subregional Libraries State Aid funding

Workforce Development: Supports programs that address the gap between employee needs and worker skill levels; focuses on job preparedness, career-based education, worker training, and employment assistance

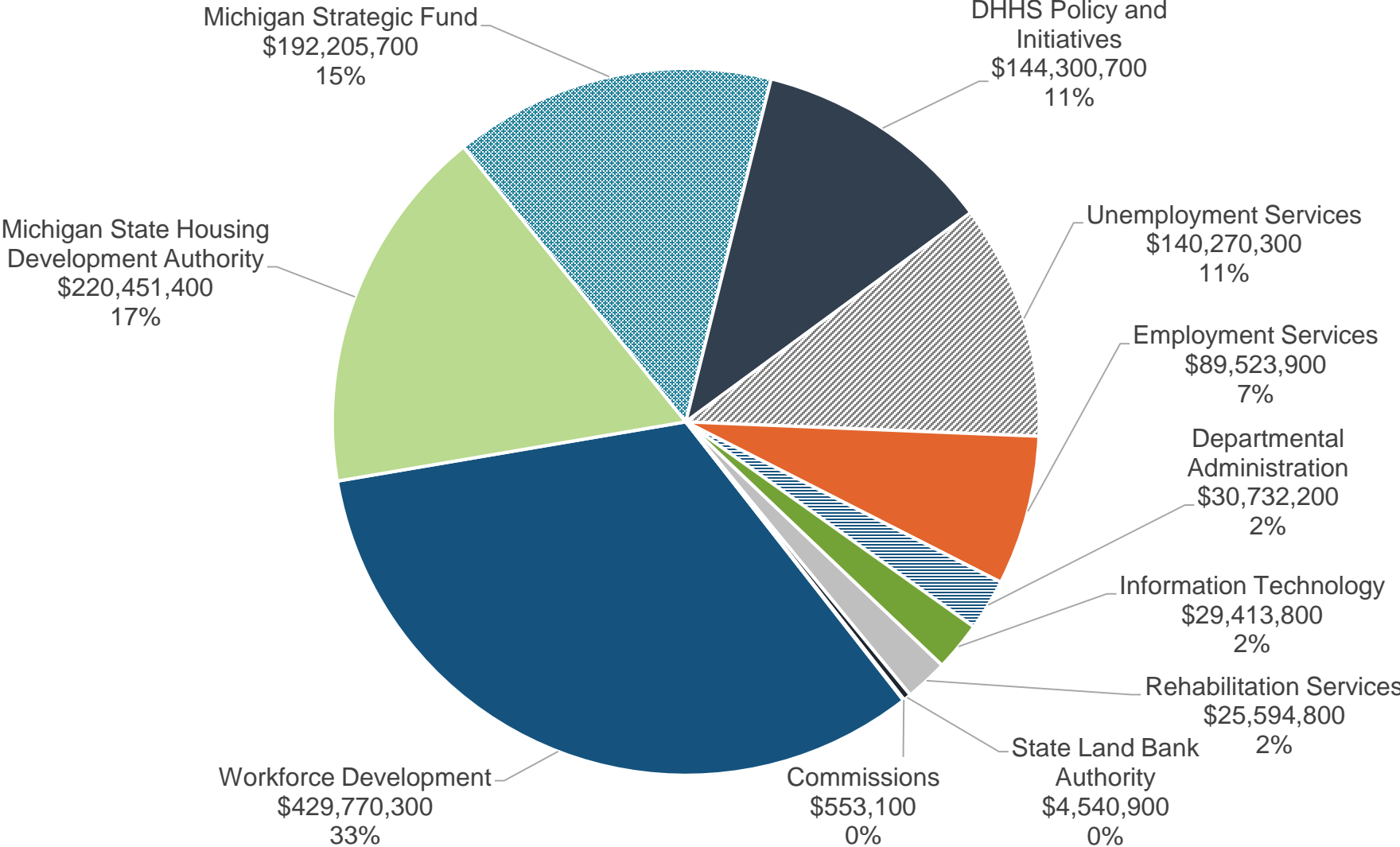
Unemployment Services: Supports Unemployment Insurance Agency (UIA) administration; UIA – Advocacy Assistance; and Unemployment Insurance Appeals Commission

State Land Bank Authority: Promotes economic growth in Michigan through acquisition, assembly, and disposal of public property, including tax reverted property, in a coordinated manner to foster the development of that property

Commissions: Supports administration of Asian Pacific American Affairs Commission; Commission on Middle Eastern American Affairs; and Hispanic/Latino Commission of Michigan

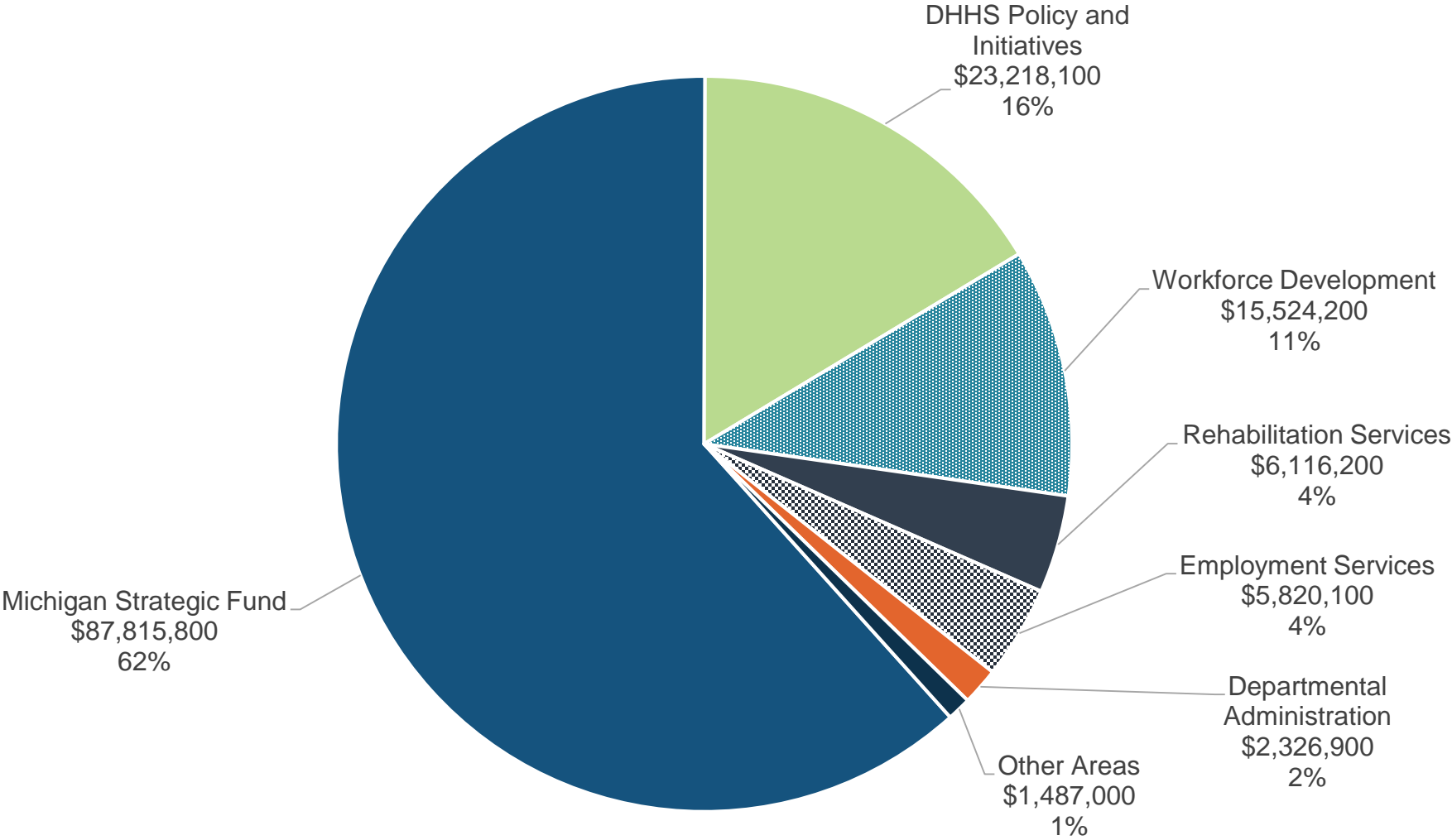
FY 2019-20 Gross Appropriations

Approximately **50%** of the **\$1.3 billion** LEO budget supports the Workforce Development Agency and the Unemployment Insurance Agency which are primarily federally funded.



FY 2019-20 GF/GP Appropriations

GF/GP funds (totaling \$142.3 million) are most heavily concentrated in Michigan Strategic Fund.



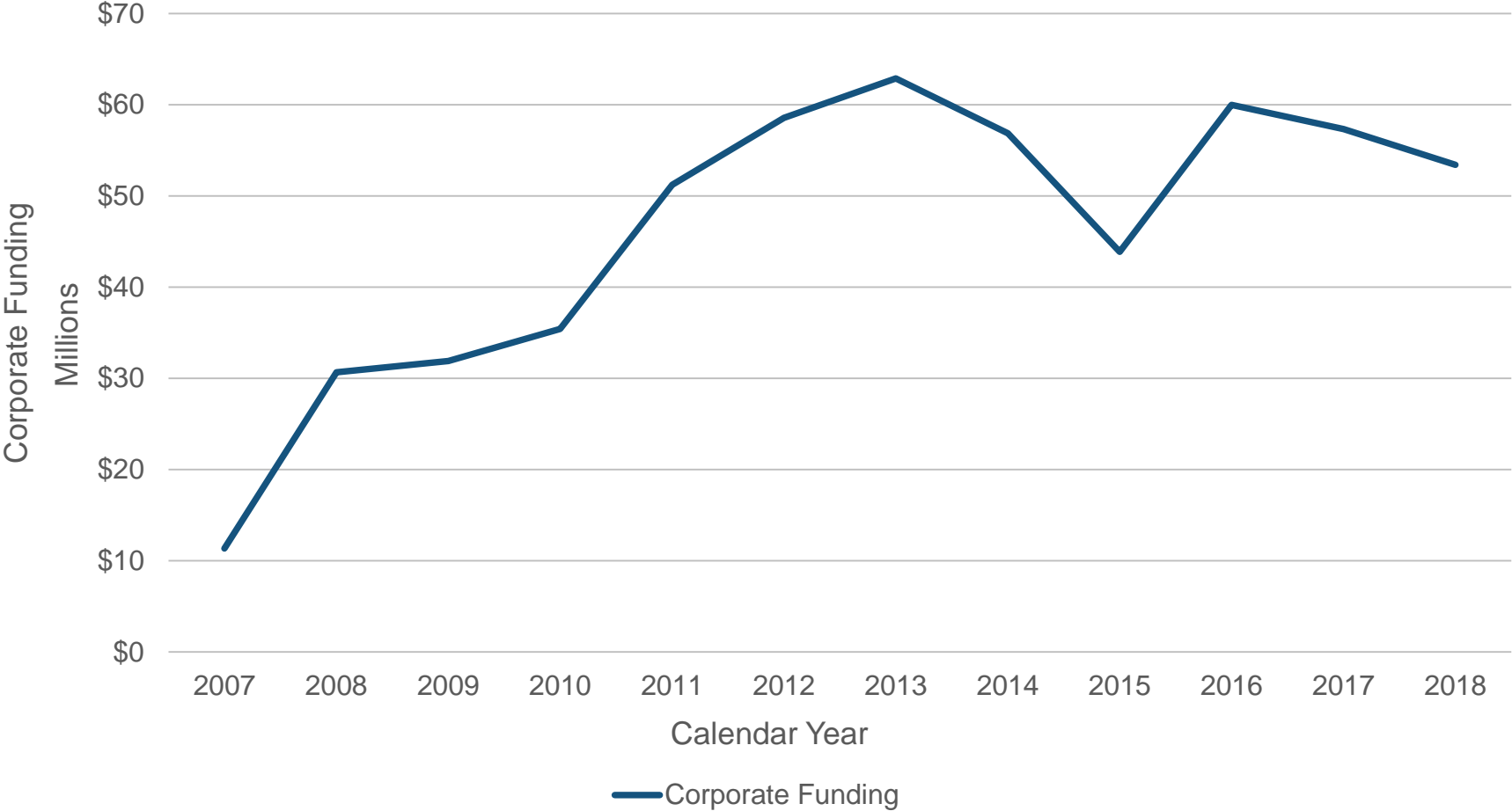
Major Budget Topics

Corporate Funding

- In calendar year 2018, seven tribal casinos paid \$53.4 million of their gross winnings from gaming to MEDC/MSF pursuant to negotiated compact agreements (1 tribe pays 4%, 3 tribes pay 6%, 1 tribe pays 8%, 1 tribe pays between 4-8% depending on net win, 1 tribe pays between 1-7% depending on net win)
 - Tribal casino revenue is not subject to legislative appropriation. Expenditure of funds is determined by MEDC Board
 - Hannahville began making payments to Travel Michigan and the Michigan Strategic Fund pursuant to the Stipulation for Entry of a Consent Judgment, dated March 14, 2017; payment totaled \$1.0 million in 2018
 - Pokagon Band of Potawatomi Indians removed free play wagers from their payment in September 2015 and are expected to continue to withhold annually for a \$3-5 million annual impact
 - Little Traverse Bay Bands of Odawa Indians withheld their 2018 payment (approximately \$2.8 million)
- Corporate funds are used to support non-state supported economic development programs and supplement state-supported economic development programs. Over half of MEDC/MSF employees are supported with corporate funds

History of Corporate Funding

Increases from 2007-2013 were due to new casinos coming online under 1998 compacts. Decreases between 2013 and 2015 were due to reduced or withheld payments and lower gaming revenues. Increased wagering and a settlement with the Gun Lake and Hannahville Tribes increased revenues after 2015. In 2018, Little Traverse Bay Bands of Odawa Indians withheld their 6% payment to MEDC/MSF.



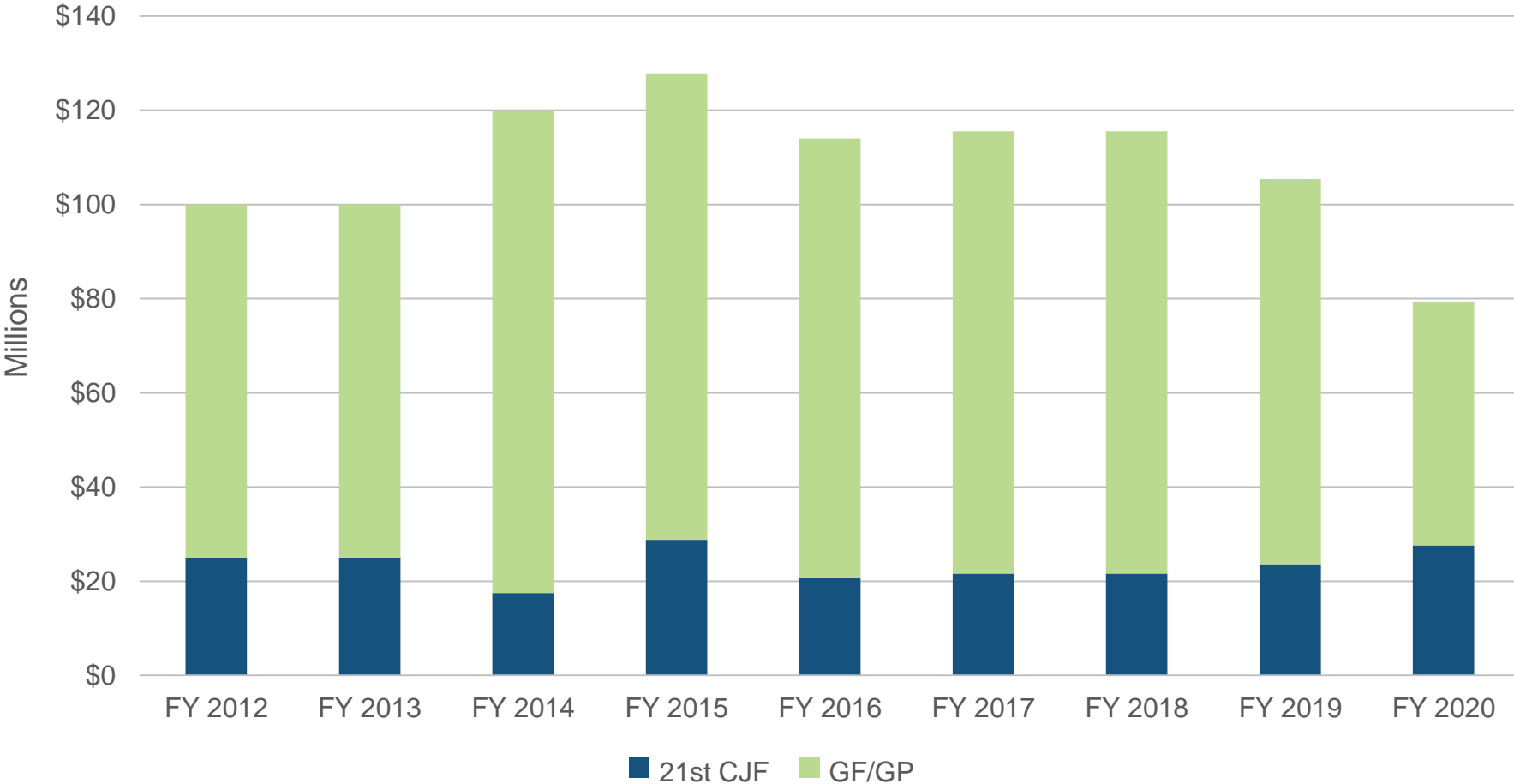
Business Attraction and Community Revitalization

Supports the following programs:

- **Michigan Business Development Program:** Provides incentive grants and loans to businesses moving to or expanding in the state of Michigan. Awarded funds are earned when agreed upon job growth and investment targets are met (created in 2011 PA 250). Replaced Michigan Economic Growth Authority (MEGA) tax credit program that was eliminated in FY 2012
- **Community Revitalization Program:** Provides grants and loans for community revitalization investments. Specific agreement milestones need to be reached for an awardee to receive awarded funds (created in 2011 PA 251). Replaced Brownfield and Historic Preservation tax credits that were eliminated in FY 2012. Boilerplate requires a minimum of 20% of total Business Attraction and Community Revitalization to go to Community Revitalization efforts

Business Attraction and Community Revitalization Funding

Supports grants and loans to businesses as a replacement for the elimination of MEGA, Brownfield, and Historic Preservation tax credits and in conjunction with the introduction of the Corporate Income Tax in FY 2011-12. Funding was fairly static from FY 2015-16 through FY 2017-18. Funding for program was reduced by \$10.1 million in FY 2018-19 and by another \$26.0 million in FY 2019-20.

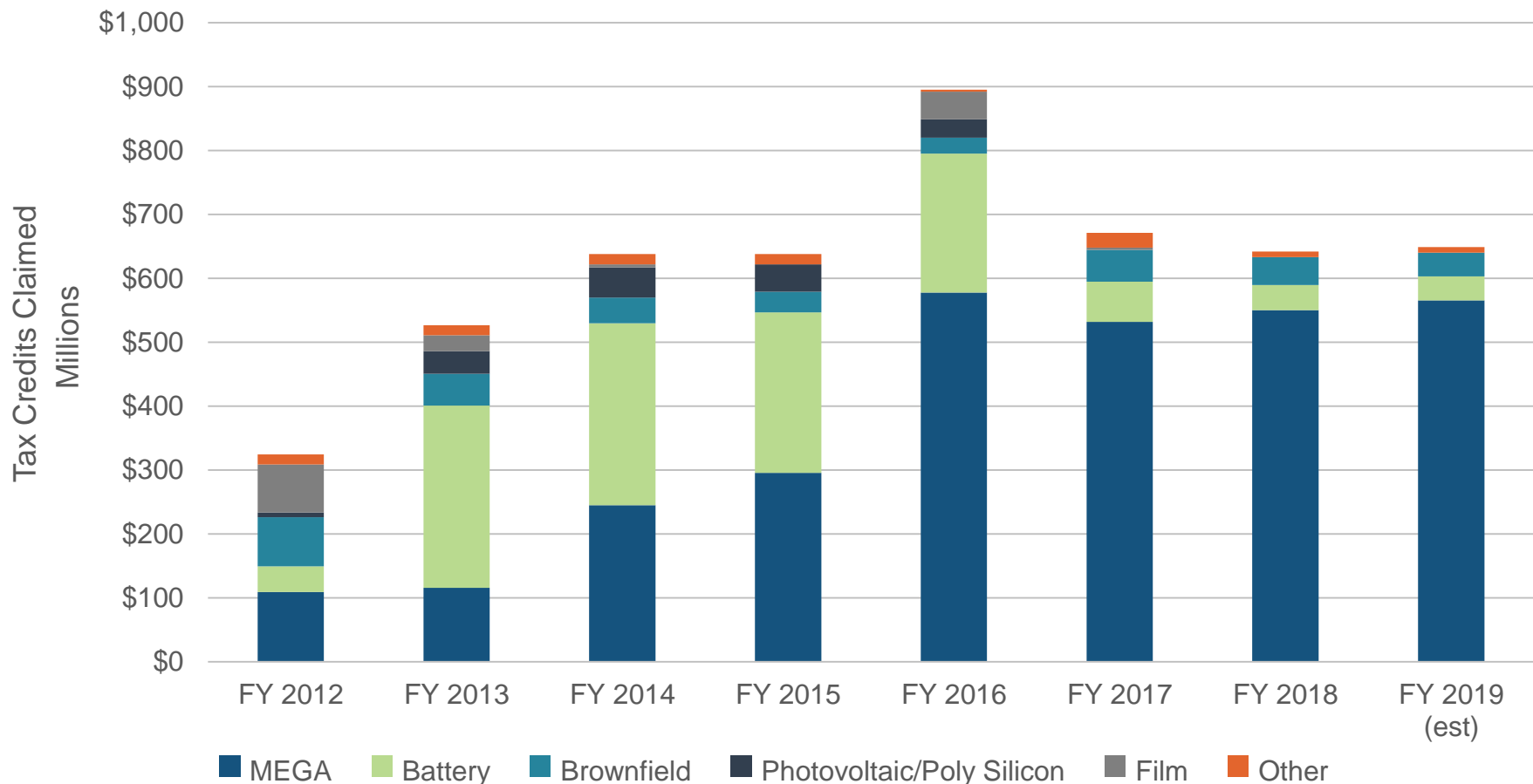


Michigan Business Tax Certificated Credits

- Michigan Economic Growth Authority Tax Credits (MEGA)
 - Established in 1995 PA 24 as a response to interstate competition for jobs
 - Performance-based tax credits against Michigan Business Tax (MBT) that may be claimed for up to 20 years in some instances
 - MBT was eliminated January 1, 2012 and a corporate income tax was established that eliminated business taxes on all businesses but corporations. Companies still wishing to claim MEGA, and other, tax credits against the MBT could continue to file taxes under the MBT
 - Amendments to credits may still be awarded
 - MEGA tax credits have the largest impact on the budget of all remaining tax credits and some companies are expected to continue to be eligible for credits through 2032
- Other Major MBT Tax Credits
 - Brownfield and Historic Preservation
 - Battery
 - Film and Media Production
 - More detailed information on tax credits can be found [here](#)

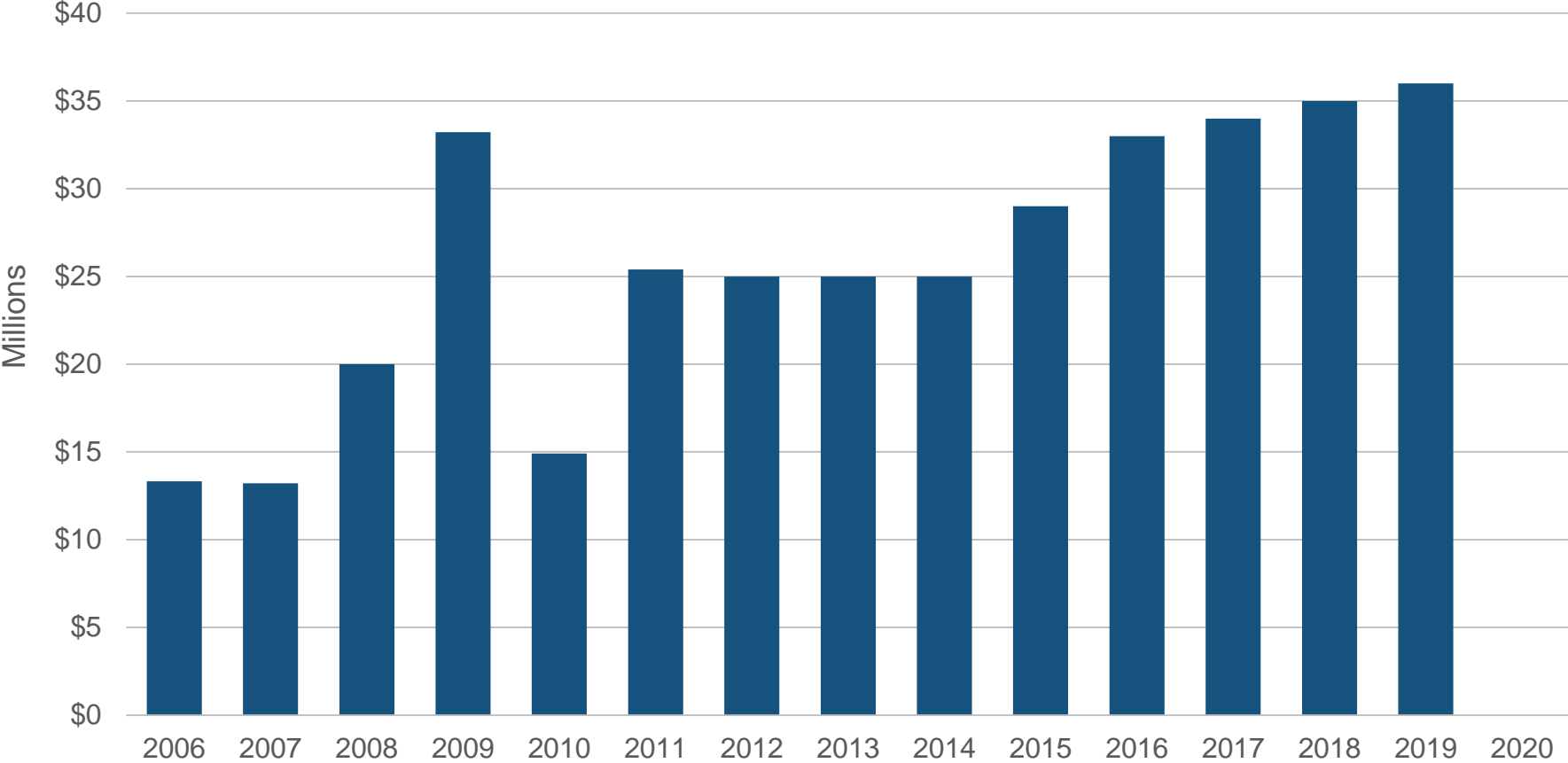
Michigan Business Tax Certificated Credits - Claimed

Summary of MBT Certificated Tax Credits claimed since FY 2011-12. Credits affect available revenues and are not represented in the annual appropriations act. The increase in claimed credits has been driven mainly by the increase in MEGA credits claimed as businesses become eligible for credit redemption with the uptick in general economic conditions. Outstanding battery credits have dropped significantly.



Pure Michigan Funding

Funding for Pure Michigan has received increased legislative support which has led to the recent increases in funding. In recent years, Michigan has ranked in the top 10 for spending on tourism promotion. However, Pure Michigan funding totaling \$37.0 million was vetoed by the governor for FY 2019-20.

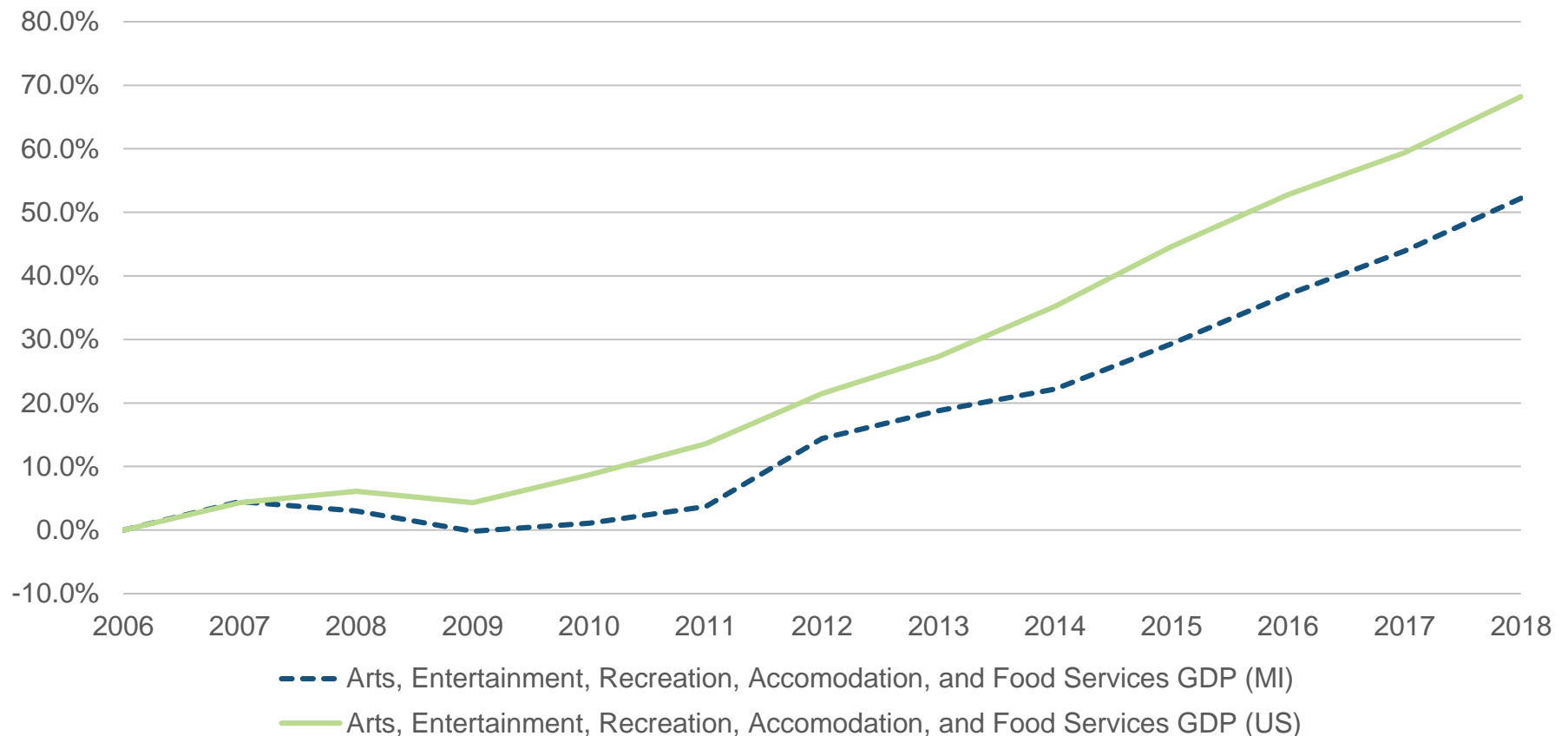


Note: In FYs 2007-08 and 2008-09 a total of \$37.5 million was received from the refunding and refinancing of tobacco settlement bonds for tourism promotion. The MSF Board allocated \$10.0 million in FY 2007-08 and \$27.5 million in FY 2008-09.

Tourism Economy Trends

The Michigan tourism economy has trended similarly to the national tourism economy since 2006. Michigan experienced a spike in growth in 2012 that presumably was due to Sleeping Bear Dunes being named "Most Beautiful Place in America" by *Good Morning America* in the fall of 2011.

Cumulative Percentage Change – 2006-2018



Sources: Bureau of Economic Analysis

Skilled Trades Training Program Grants

(NOTE: Skilled Trades Training (Going Pro) appropriations were vetoed for FY 2019-20)

- FY 2018-19 funding: \$29.4 million
 - Provides competitive awards for employer responsive training (3 months or less)
 - Training programs must fill a demonstrated need experienced by an eligible participating business
 - Performance-based: 50% reimbursement earned after 30 days employment; 75% reimbursement earned after 60 days; 100% reimbursement earned after 90 days employment
- Program performance FY 2017-18 (most recent year available)
 - Individuals to be hired/trained: 6,973 (Target: 3,300)
 - Current employees to be trained: 19,845 (Target: 10,000)
 - Training completion rate: 93% (Target: 80%)
 - Employment retention rate at 6 months: N/A (Target: 80%)
 - Hourly wage at six months: N/A (Target: \$16.95)
 - Number of participating companies: 948
 - Average cost of training per participant: \$1,127

Executive Order 2019-13 – Creation of LEO

- Established the new Department of Labor and Economic Opportunity (LEO)
- Creation of LEO involved transfer of programs from the Department of Health and Human Services (DHHS) and Licensing and Regulatory Affairs (LARA)
- Transfers from DHHS include:
 - Michigan Community Service Commission (\$11.7 million Gross)
 - Michigan Rehabilitation Services (\$131.1 million Gross)
 - Independent Living (\$12.0 million Gross)
 - Departmental Administration/Information Technology (\$7.0 million Gross)
- Amount transferred from DHHS totaled \$161.8 million Gross (\$25.5 million GF/GP) and included 573.0 classified FTE positions

Executive Order 2019-13 (cont.)

- EO 2019-13 transferred the following major bureaus and programs to the Department of Labor and Economic Opportunity from the LARA Budget (other items were transferred as well, but are not presented here):
 - Bureau of Employment Relations (\$4.4 million Gross)
 - Bureau of Services for Blind Persons (\$25.1 million Gross)
 - Insurance Funds Administration (\$4.7 million Gross)
 - Michigan Occupational Safety and Health Administration (\$29.8 million Gross)
 - Office for New Americans (\$29.2 million Gross)
 - Wage and Hour Program (\$3.9 million Gross)
 - Workers' Compensation Agency (\$8.1 million Gross)
- Amount transferred totaled \$131.6 million Gross (\$13.0 million GF/GP) and included 27.5 unclassified and 508.4 classified FTE positions

For more information about the Labor and Economic Development budget:

HFA Resources

<http://www.house.mi.gov/hfa/GeneralGovernment.asp>

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