



Budget Briefing: Labor and Economic Opportunity

Ben Gielczyk, Associate Director

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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
 - Rehabilitation Services
 - Michigan State Housing Development Authority (MSHDA)
 - Employment Services (including Michigan Occupational Safety and Health Administration (MIOSHA), and Bureau of Employment Relations)
 - Unemployment Insurance Agency (UIA)
 - Ethnic Commissions
 - State Land Bank Authority

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2020-21 is October 1, 2020 through September 30, 2021.

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 that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that 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.

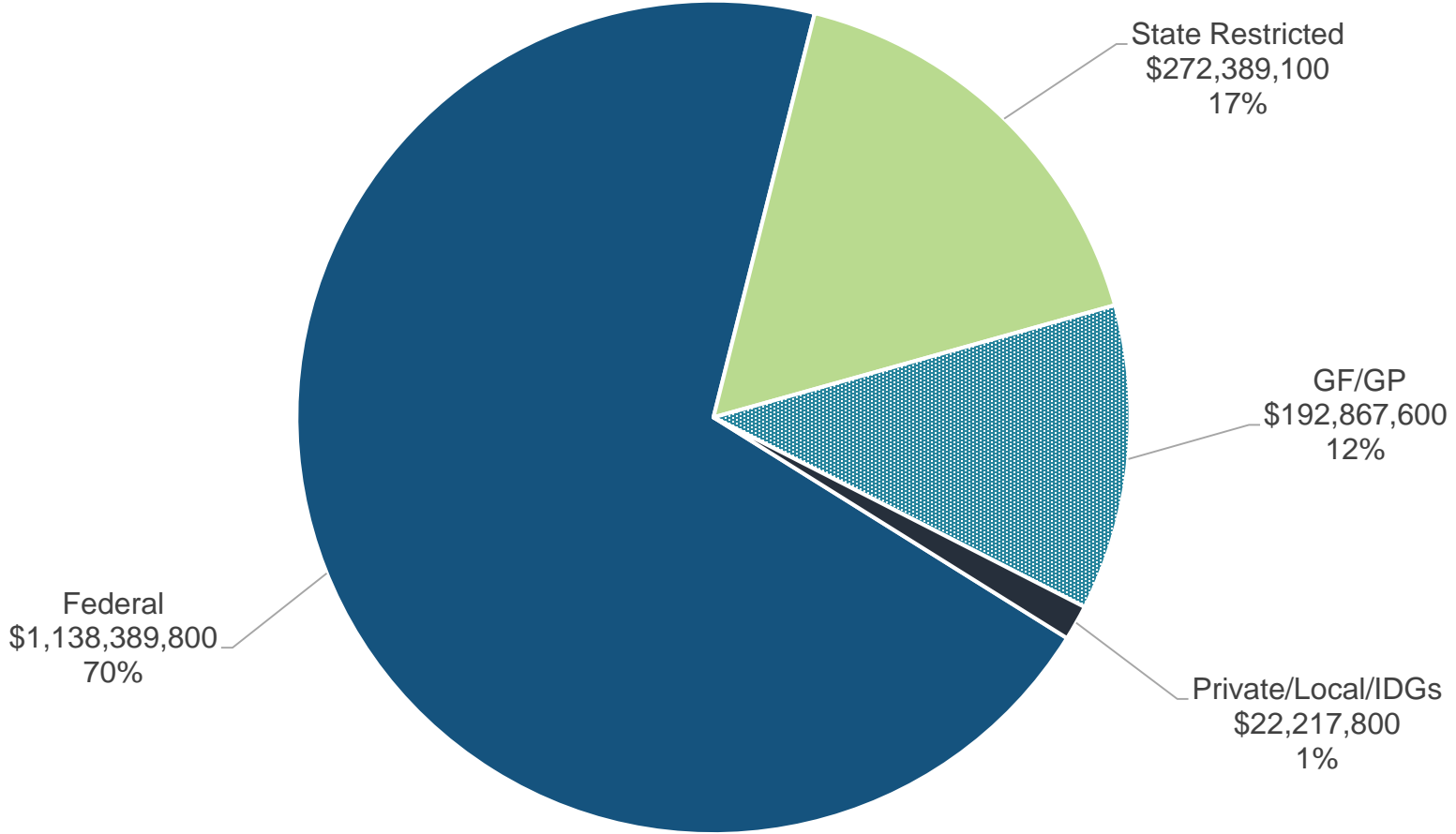
Funding Sources

FY 2020-21 Labor and Economic Opportunity Budget

Fund Source	Funding	Description
Gross Appropriations	\$1,625,864,300	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	\$1,625,864,300	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,138,389,800	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	10,900,000	Revenue received from local units of government for state services
Private Revenue	11,317,800	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	272,389,100	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	\$192,867,600	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

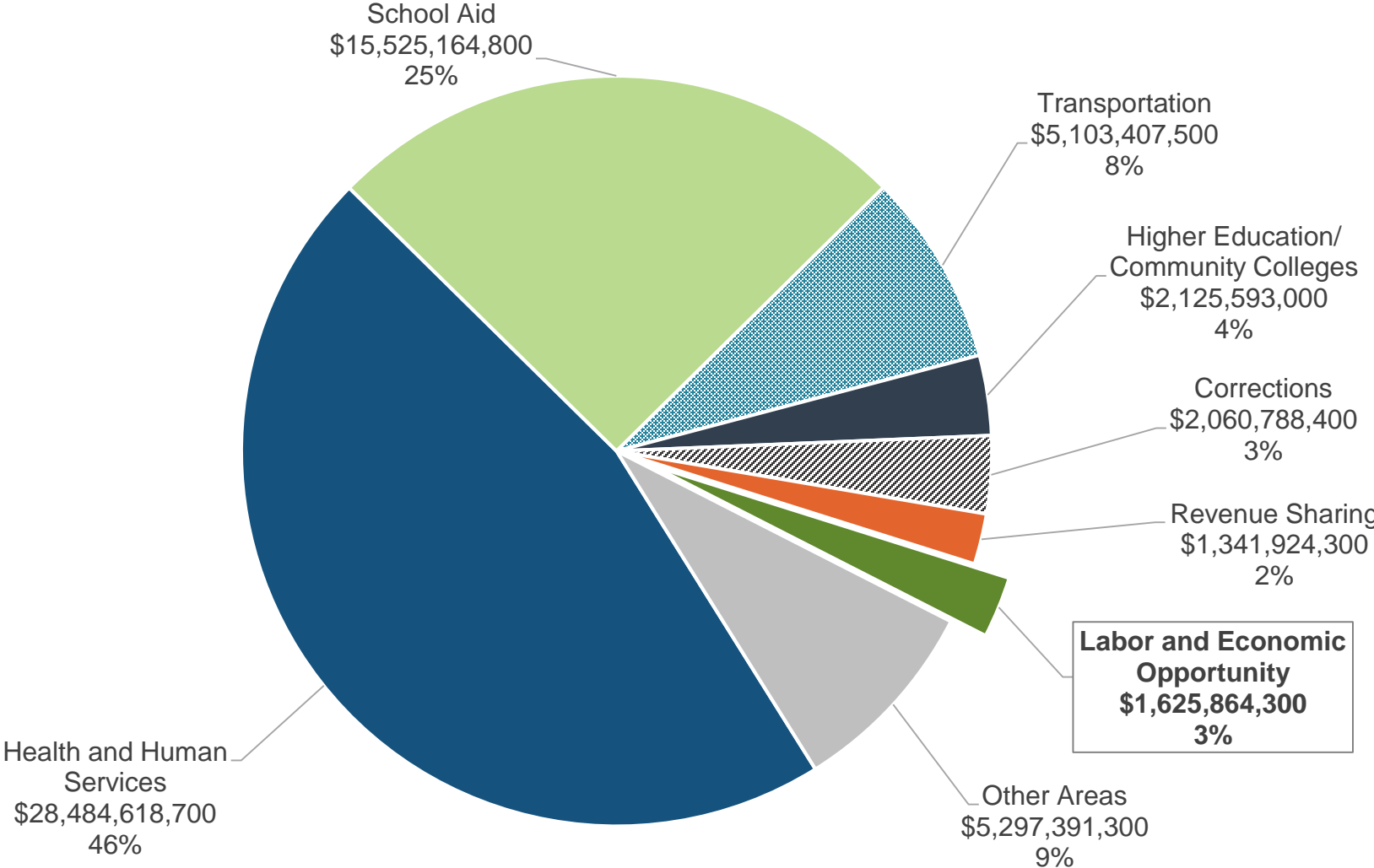
FY 2020-21 Fund Sources

Approximately **70%** of the **\$1.6 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.



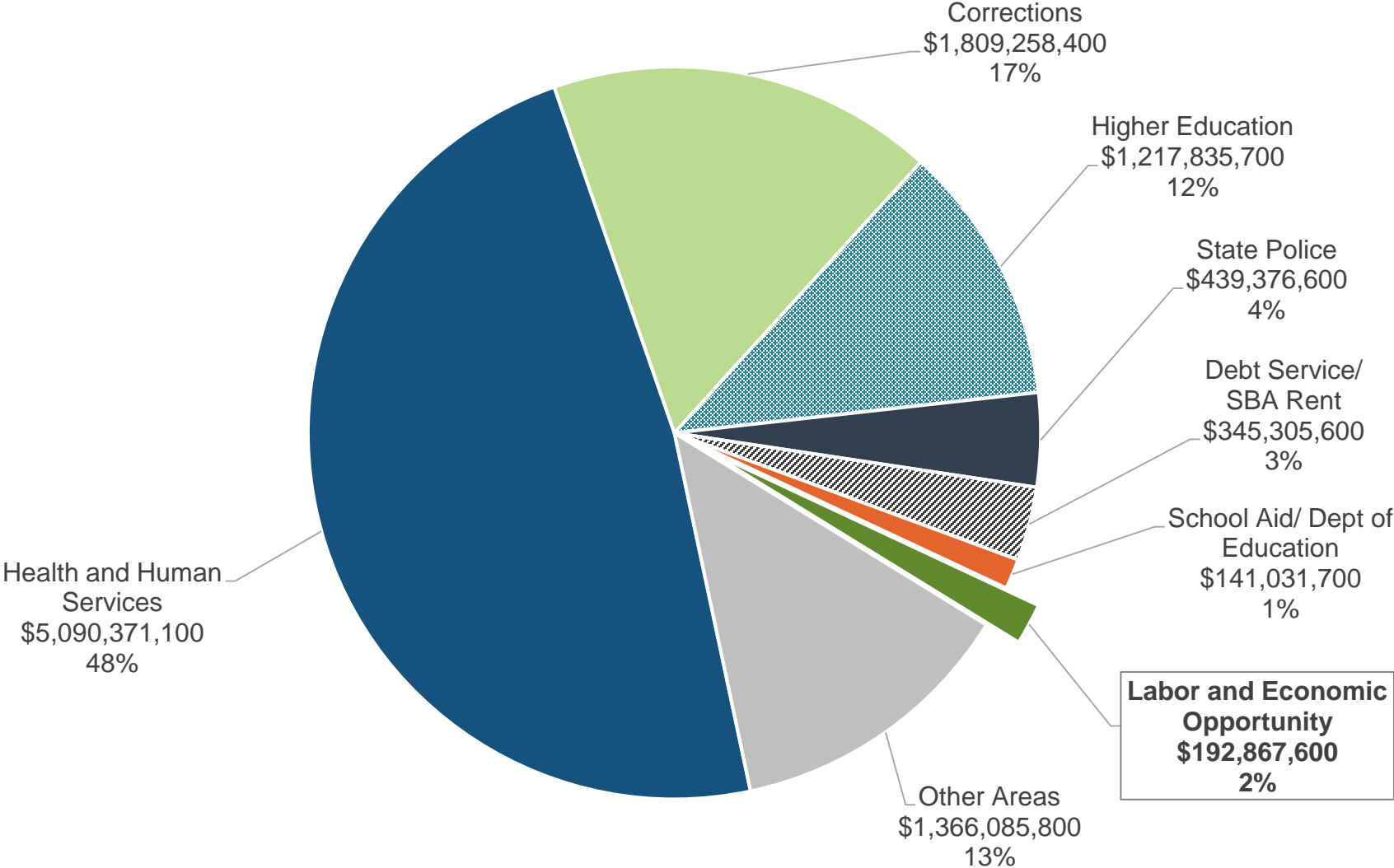
LEO Share of Total State Budget

The LEO budget represents approximately 3% of the \$61.6 billion state budget (adjusted gross) for FY 2020-21.



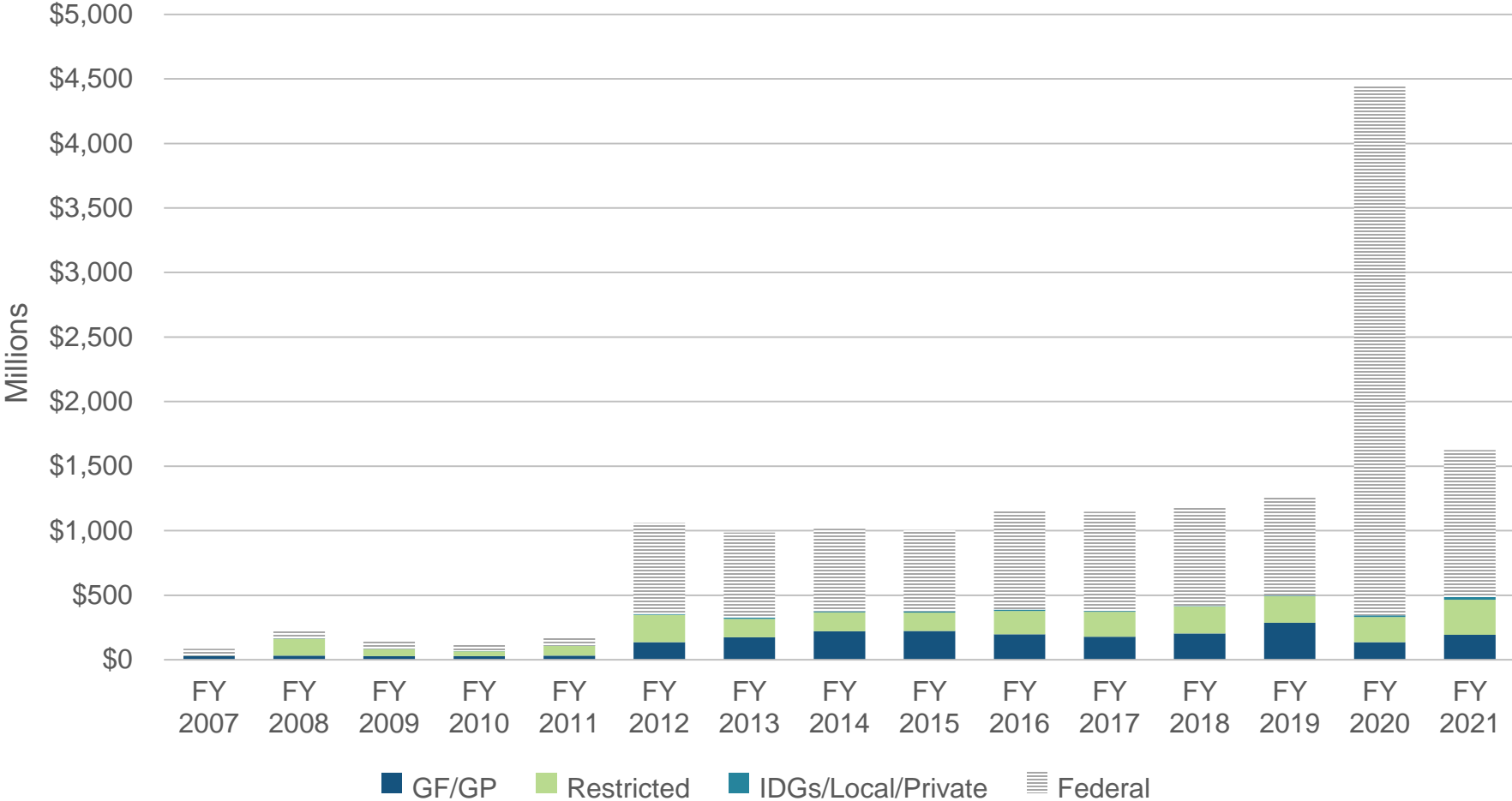
LEO Share of Total GF/GP Budget

The LEO budget also represents approximately **2%** of the state's **\$10.6 billion** GF/GP budget for FY 2020-21.



LEO Funding History

Funding for LEO (formerly the Department of Talent and Economic Development) has grown by **1,893%** since FY 2006-07, driven mainly by the expansion of GF/GP funded economic development programs after the elimination of tax credits and the consolidation of economic development, workforce development, housing, and employment security programs from other departments. FY 2019-20 increase mainly due pandemic-related appropriations (primarily federal UI).



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

Appropriation Areas

LEO Appropriation Areas

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

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

Rehabilitation Services: Includes Independent Living and Michigan Rehabilitation Services for persons with disabilities

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

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

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

LEO Appropriation Areas (cont.)

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

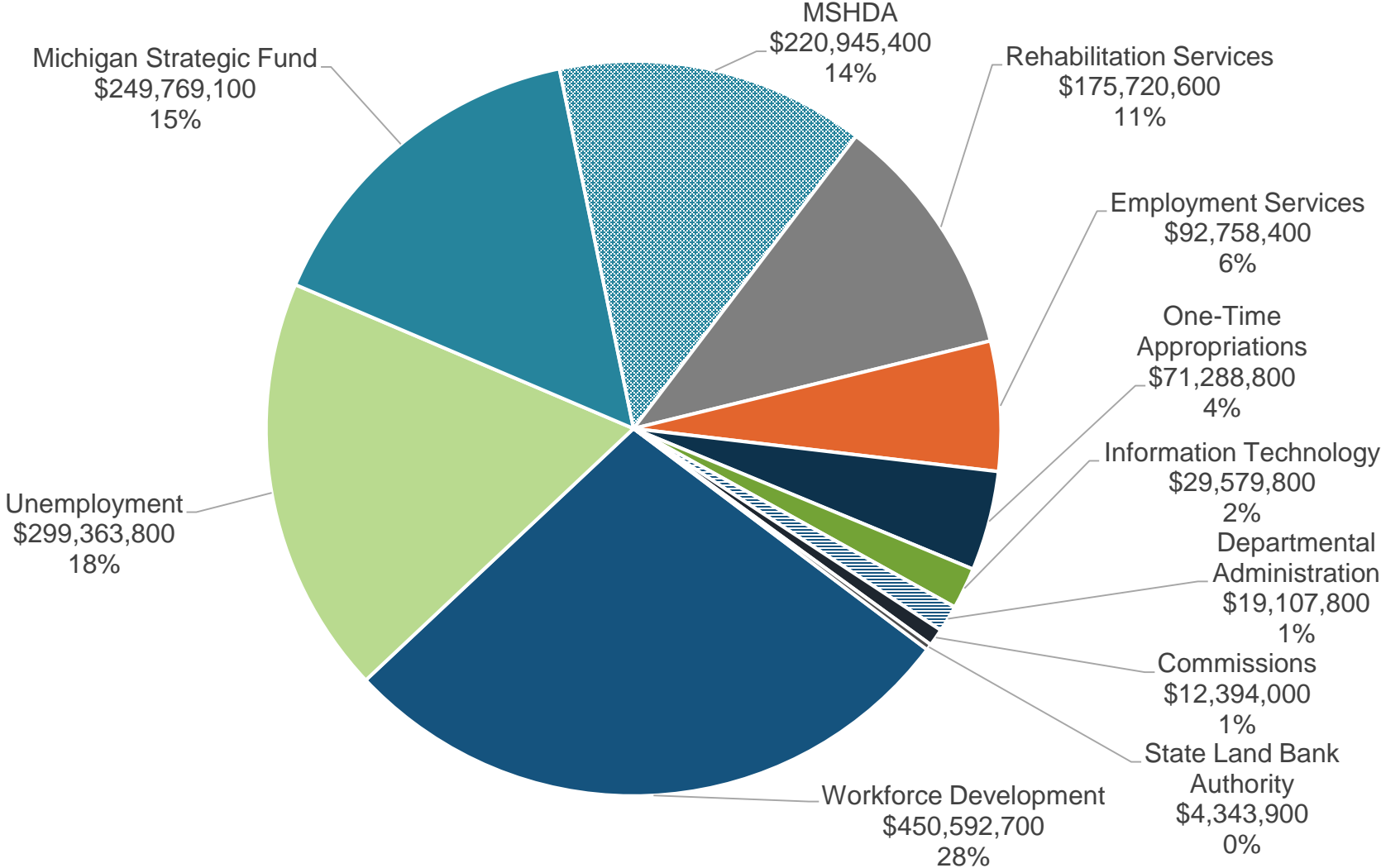
State Land Bank Authority: Promotes economic growth in Michigan through acquisition, assembly, and disposal of public property, including tax reverted property, in a coordinated manner to foster the development of that property

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

One-Time Appropriations: Includes one-time appropriations for Enhancement Grants, Michigan Reconnect, and Coronavirus Relief Fund grants

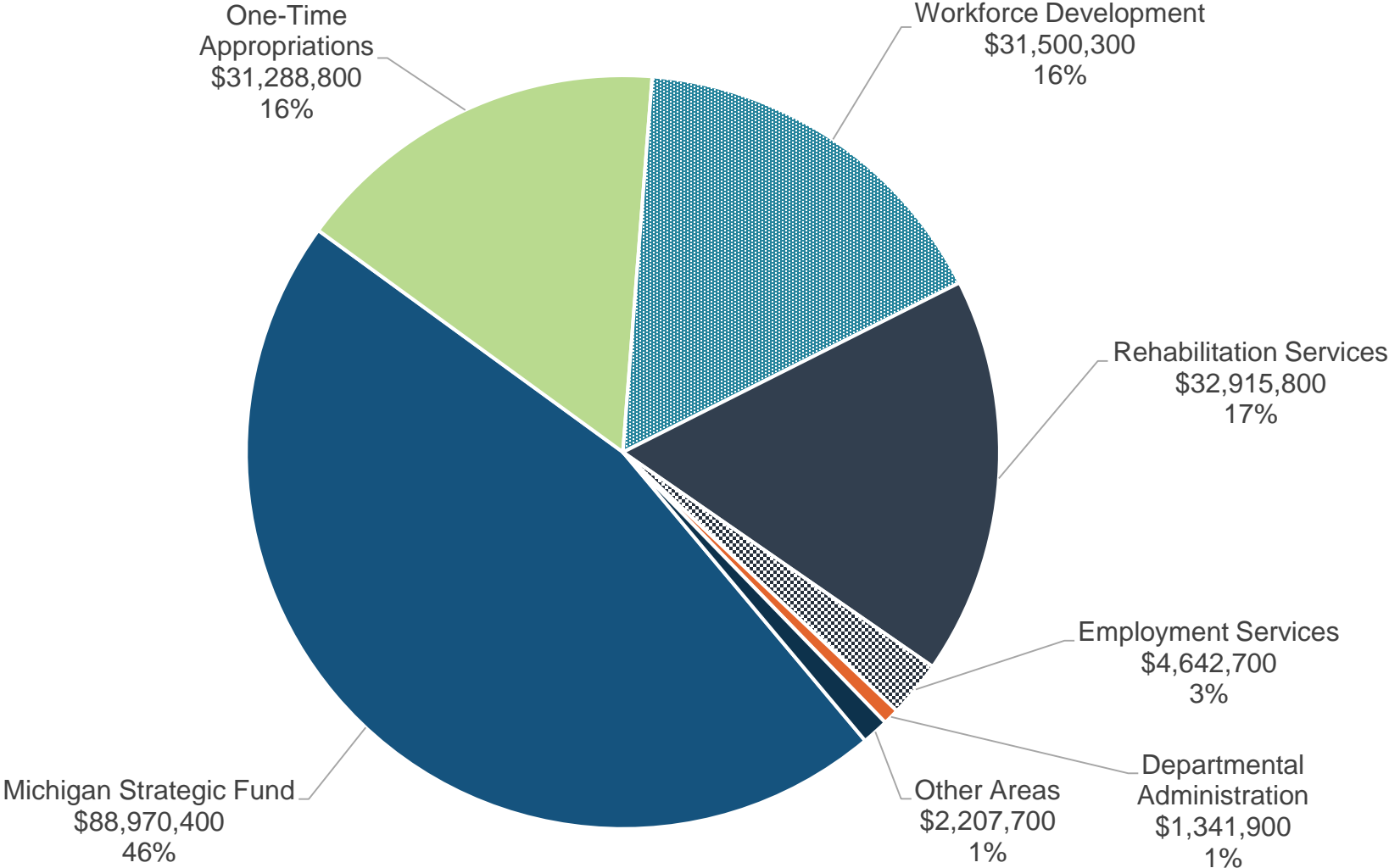
FY 2020-21 Gross Appropriations

Approximately **46%** of the **\$1.6 billion** LEO budget supports the Workforce Development Agency and the Unemployment Insurance Agency which are primarily federally funded.



FY 2020-21 GF/GP Appropriations

Approximately 46% of LEO GF/GP funds (totaling \$192.9 million) support the Michigan Strategic Fund.



Major Budget Topics

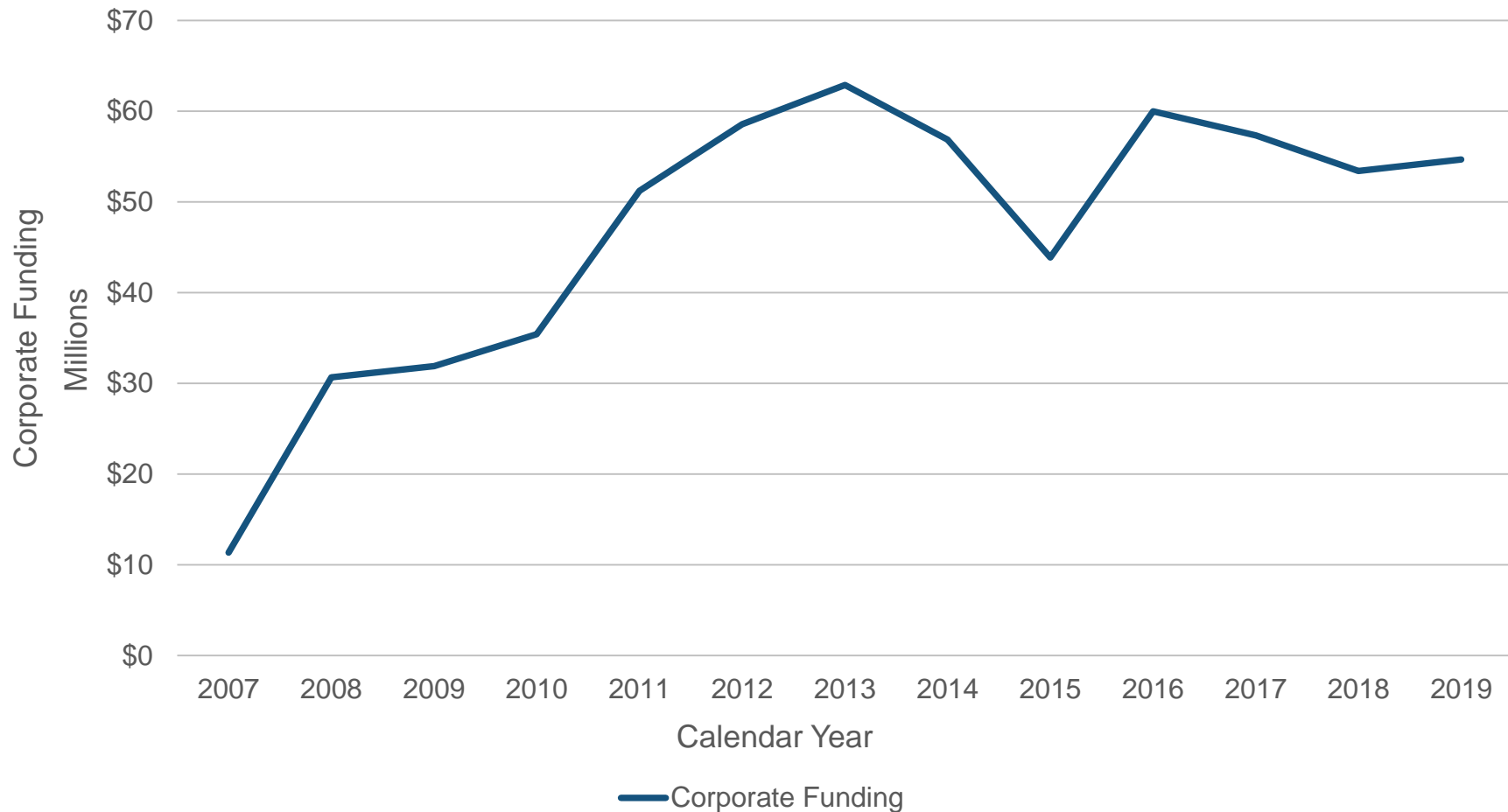
Michigan Strategic Fund (MSF)

MEDC/MSF Corporate Funding

- In calendar year 2019, seven tribal casinos paid \$54.7 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 \$1.1 million in 2019
 - 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 and 2019 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 paying 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 and 2019, Little Traverse Bay Bands of Odawa Indians withheld their 6% payment to MEDC/MSF. It is expected that 2020 payments will be significantly reduced due to the pandemic and closure of casinos.



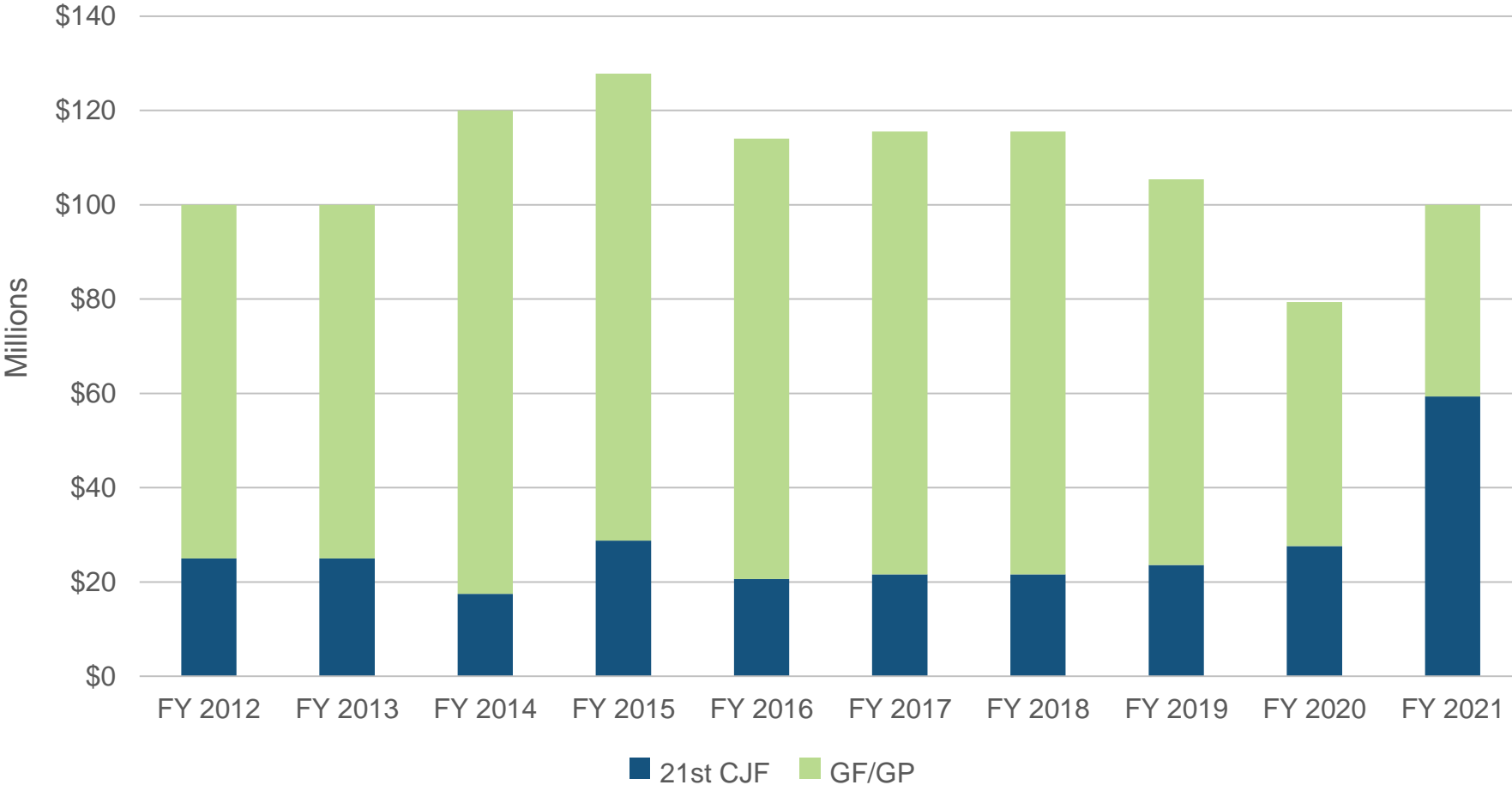
MSF - Business Attraction and Community Revitalization

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

MSF - 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. FY 2020-21 included \$100.0 million.

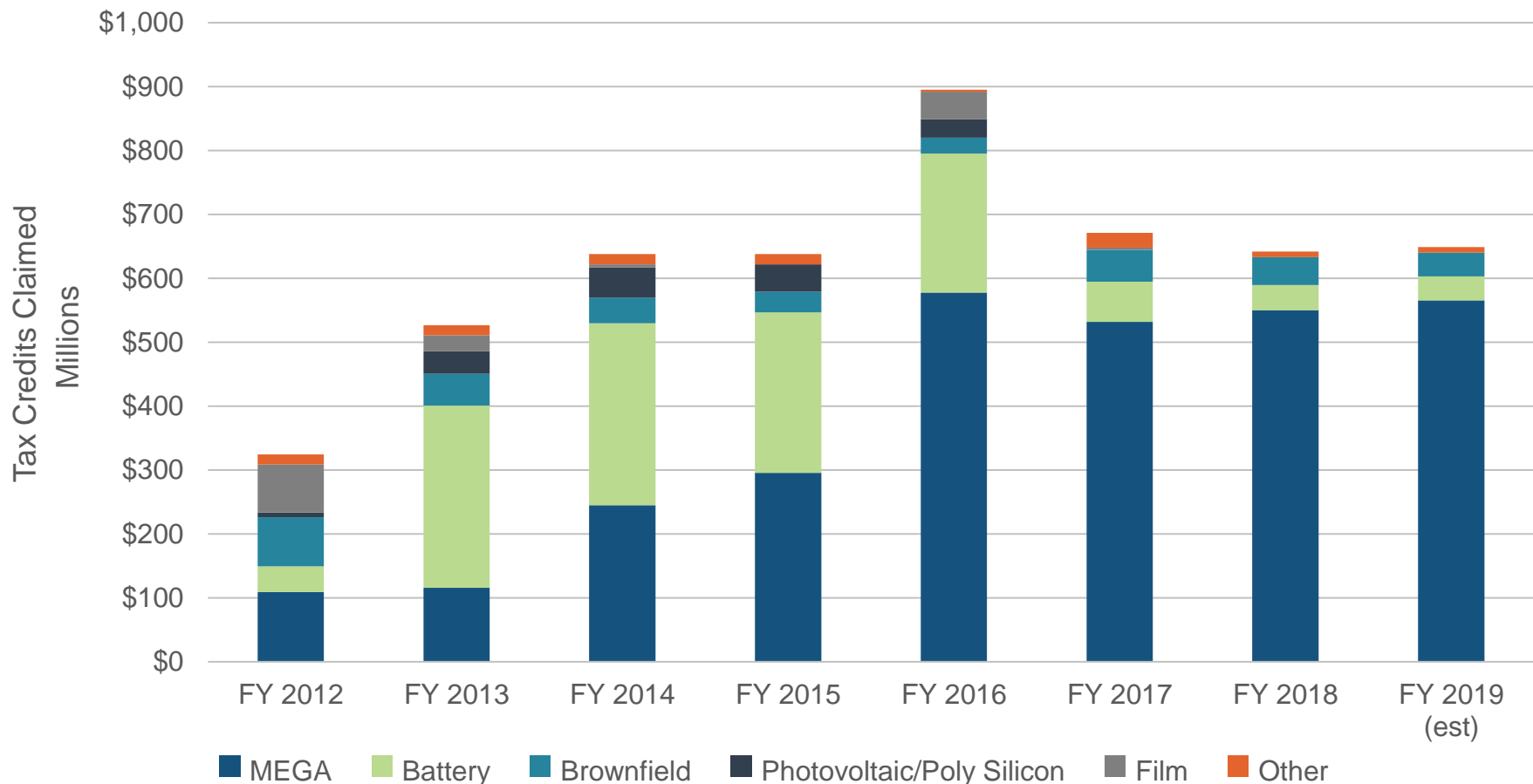


MSF - Michigan Business Tax Certificated Credits

- 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](#)

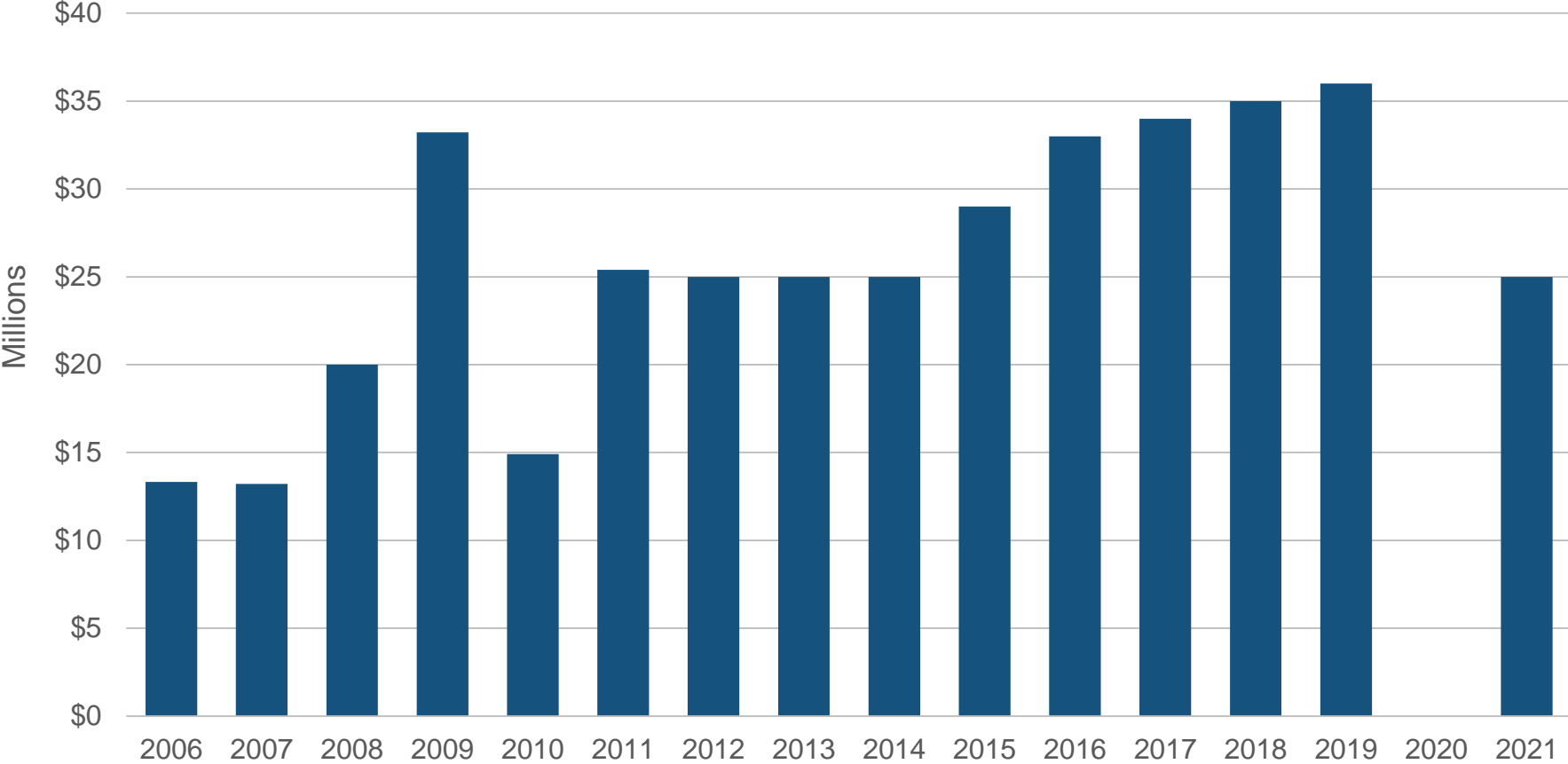
MSF - Michigan Business Tax Certificated Credits - Claimed

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

Pure Michigan funding totaling \$37.0 million was vetoed by the governor for FY 2019-20 after steadily growing between FYs 2011-12 and 2018-19. The FY 2020-21 appropriation includes \$15.0 million GF/GP with authorization to receive up to \$10.0 million in private and local funds.

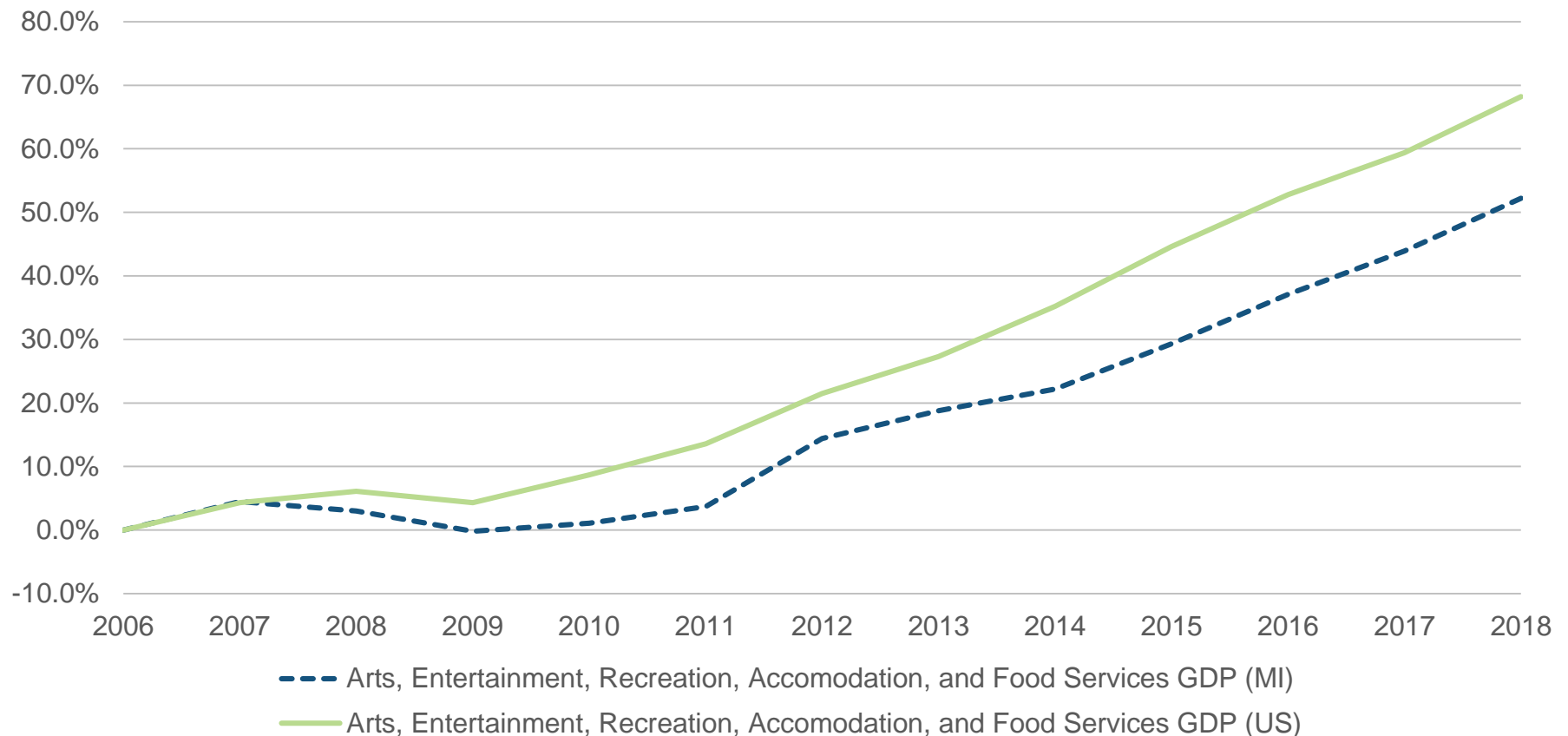


Note: In FYs 2007-08 and 2008-09 a total of \$37.5 million was received from the refunding and refinancing of tobacco settlement bonds for tourism promotion. The MSF Board allocated \$10.0 million in FY 2007-08 and \$27.5 million in FY 2008-09.

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

Workforce Development

Going Pro

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

- FY 2020-21 funding: \$28.7 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 2018-19 (most recent year available – FY 2019-20 funding vetoed)
 - Individuals to be hired/trained: 5,886 (Target: 5,000)
 - Current employees to be trained: 18,457 (Target: 16,000)
 - Training completion rate: N/A (Target: 95%)
 - Employment retention rate at 6 months: N/A (Target: 80%)
 - Hourly wage at six months: N/A (Target: \$25.00)
 - Number of companies benefiting: 849
 - Average cost of training per participant: \$1,276

Workforce Development Programs

- At-Risk Youth Grants – Supports grant funding to Jobs for Michigan Graduates program (**\$3.8 million**).
- High School Equivalency-to-School – Reimbursement for high school equivalency test costs for individuals meeting certain qualifications (**\$250,000**).
- Workforce Development Programs distributes funds through 25 Michigan Works! Agencies pursuant to federal grants (**\$381.6 million**). Includes the following programs:
 - Workforce Innovation and Opportunity Act programs
 - Trade Adjustment Assistance
 - Partnership, Accountability, Training, Hope (PATH)
 - GEAR-UP Grants to increase low-income students attending college
 - Carl D. Perkins vocational education
 - Adult Education
- Workforce Program Administration (**\$36.3 million**)

Rehabilitation Services

Rehabilitation Services

- Bureau of Services for Blind Persons (**\$25.5 million**)
 - Provides vocational rehabilitation services, business services, independent living, deaf blind services, youth services, business enterprise program, BSBP training center, and braille and talking book library
- Independent Living (**\$15.5 million**)
 - Provides grants to regional Centers for Independent Living to assist persons with disabilities to increase their ability to perform everyday activities; to coordinate independent living services with other federal, state, and local agencies; and to provide outreach services.
- Michigan Rehabilitation Services (**\$134.2 million**)
 - Provides funding for regional offices and central administration to provide vocational rehabilitation services for persons with disabilities; services are determined through individualized plan for employment and could include training, job placement, vehicle modification, repair, or purchase.
 - Supports Michigan Career and Technical Institute, located in Barry County, which provides training to adults with disabilities.

Employment Services

Employment Services

- Bureau of Employment Relations (**\$4.5 million**)
 - Supports Michigan Employment Relations Commission (MERC) which resolves labor disputes involving private and public sectors
- Michigan Occupational Safety and Health Administration (**\$30.4 million**)
 - Develops and enforces occupational safety and health standards, provides safety and health training and education, and works with outside partners to develop programs that ensure workplace safety and prevent hazards
- First Responder Presumed Coverage Claims (**\$4.0 million**)
 - Provides benefits to full-time firefighters diagnosed with specific types of cancer
- Office of Global Michigan (**\$29.2 million**)
 - Coordinates state policies and programs related to immigration or impacting education, employment, or entrepreneurship of immigrants
 - Supports federally funded refugee assistance program

Employment Services (cont.)

- Radiation Safety Section (**\$3.4 million**)
 - Provides services related to non-federal radiation regulation and inspections of machines and facilities in Michigan (includes x-rays, mammography, cyclotrons, and other particle accelerators)
- Wage and Hour Program (**\$4.0 million**)
 - Enforces Michigan wage statutes by responding to complaints; conducting on-site investigations; assisting with voluntary compliance efforts, performance audits of employer records, issuing notices of corrective action, and educating employers and employees about wage laws and standards
- Workers' Disability Compensation Agency (**\$8.2 million**)
 - Oversees enforcement and administration of the Workers' Disability Compensation Act

Unemployment

Unemployment

- Unemployment Insurance Agency (**\$293.5 million**)
 - Customer Service Division: Provides frontline contact points through the Remote Initial Claims Centers, Problem Resolution Offices, and Virtual Problem Resolution Agents
 - Technology and Modernization: Covers technical environment UIA uses to deliver services to customers
 - Fiscal Integrity Division: Provides fraud prevention, benefit and tax enforcement, and other efforts to stop benefit overpayments
 - Trust Fund Division: Monitors and maintains the state's unemployment trust fund; ensure employers are in compliance with the Michigan Employment Security Act and relevant Michigan Administrative Rules
 - Policy and Compliance Division: Ensures operating units are accountable to state and federal compliance standards, manages legal issues, and directs efforts regarding policy and procedure
 - Michigan Administrative Hearing System
- Unemployment Insurance Agency – Advocacy Assistance (**\$1.5 million**)
- Unemployment Insurance Appeals Commission (**\$4.4 million**)

Commissions

Commissions

- Asian Pacific American Affairs Commission (**\$137,400**)
- Commission on Middle Eastern American Affairs (**\$125,000**)
- Hispanic/Latino Commission of Michigan (**\$295,800**)
- Michigan Community Service Commission (**\$11.8 million**)
 - Administers federal and state programs that encourage volunteerism and community service, including AmeriCorps, Learn and Serve, Volunteer Michigan, and Governor's Service Awards

Other Areas

Other Areas

- State Land Bank Authority (**\$4.3 million**)
 - Assists in reversion of state-owned tax reverted properties to viable use including sales and clearance and redevelopment; provides conveyance and title search services
- Michigan State Housing Development Authority (**\$220.9 million**)
 - Provides services that are intended to improve the supply of safe and sanitary dwelling accommodations for low- or moderate-income families, senior citizens, and those with disabilities
 - Increases housing supply through the sale of tax-exempt notes and bonds
 - Provides grants to nonprofit organizations for home rehabilitation and administers various federal programs in support of housing and historic preservation, including the Housing Choice Voucher (Section 8) program, which provides rental assistance for low-income families
- Michigan Reconnect Grant Program (**\$30.0 million**)
 - Provides last-dollar financial aid funding for Michigan residents who are at least 25 years old, do not currently have a college degree, and are seeking an associate degree or certificate at a community college or eligible institution.
- Directed Grants (**\$41.3 million**)
 - Provides funding to 41 specified grant recipients

For more information about the Labor and Economic Development budget:

HFA Resources

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

Contact Information

Ben Gielczyk

Associate Director

bgielczyk@house.mi.gov

(517) 373-8080