



Background Briefing

TALENT AND ECONOMIC DEVELOPMENT

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Department of Talent and Economic Development

- Chief economic development, workforce development, and affordable housing department in state government; include Unemployment Insurance Agency

- Chief responsibilities:
 - Job creation/retention
 - Workforce development
 - Economic development
 - Unemployment insurance
 - Affordable housing
 - Blight remediation

DTED: Gross Appropriations

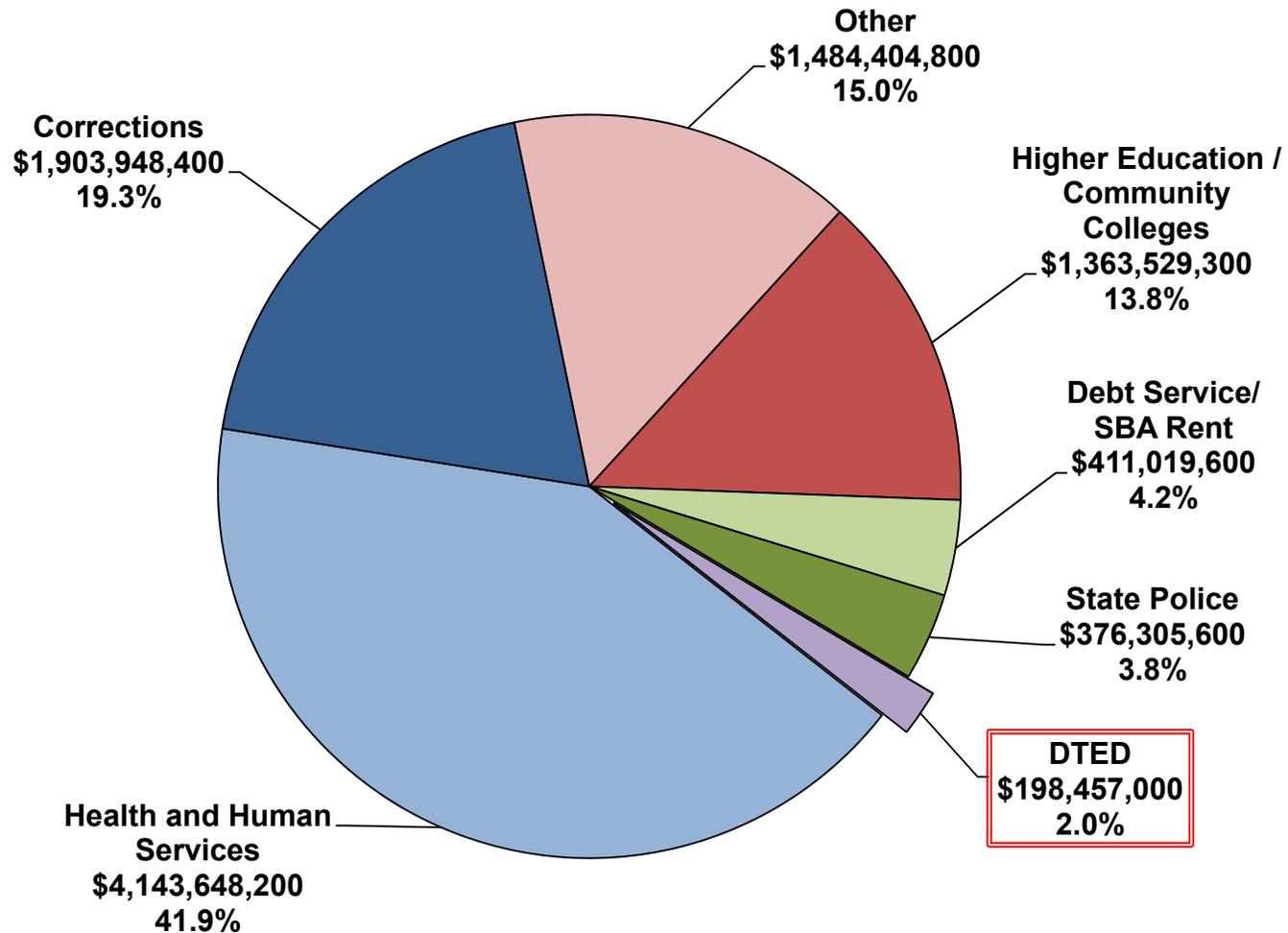
The Department of Talent and Economic Development was created under Executive Order 2014-12 and first included in the budget acts in FY 2015-16. The Department includes the Talent Investment Agency (including the Workforce Development Agency and Unemployment Insurance Agency), Land Bank Fast Track Authority, Michigan State Housing Development Authority, and Michigan Strategic Fund (including the Michigan Economic Development Corporation)



DTED Share of State GF/GP

DTED makes up 2.0% of the total state GF/GP budget.

FY 2015-16 GF/GP Total = \$9,881,312,900

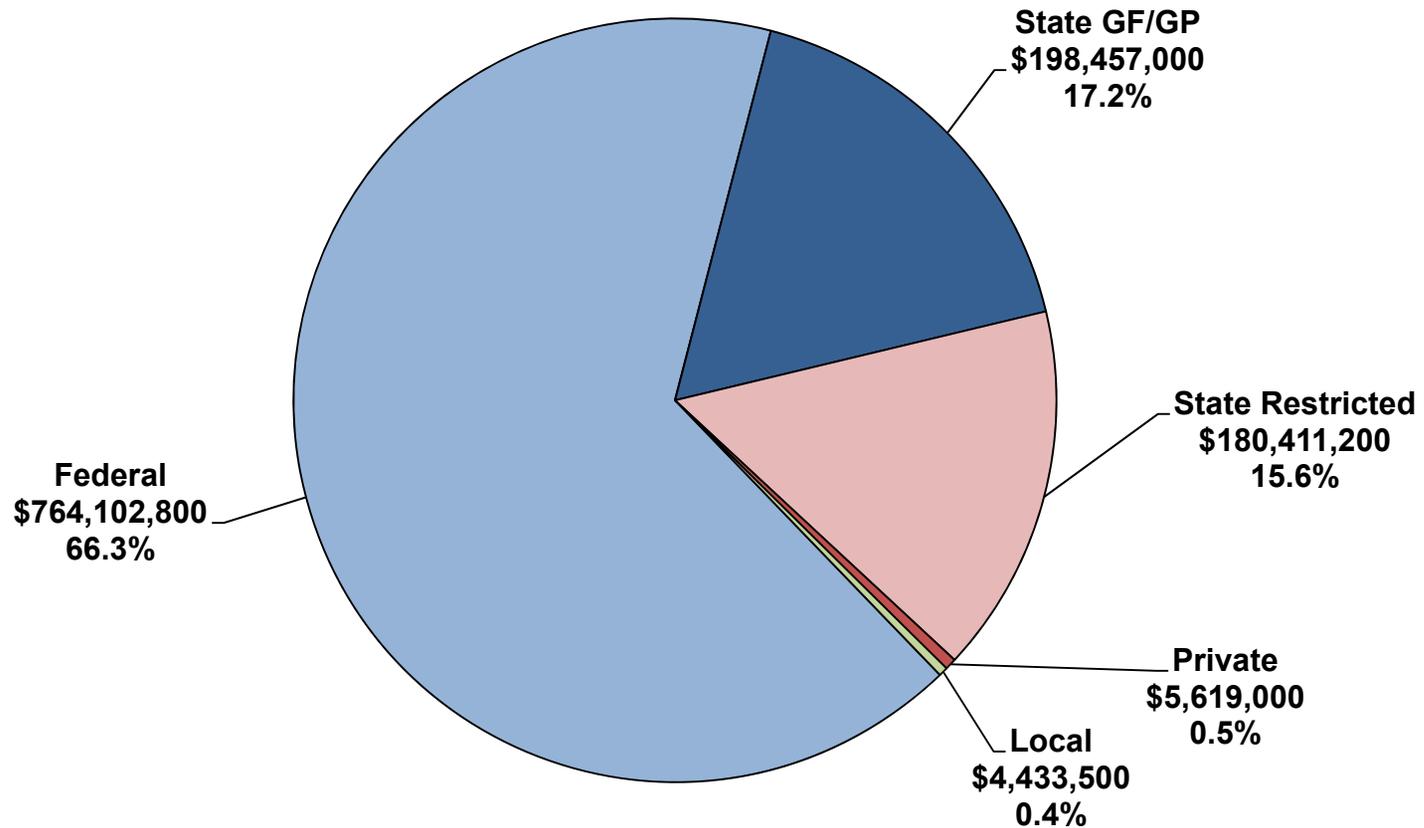


SOURCES OF FUNDING

DTED Funding Sources

Federal funds are the largest revenue source in the budget due to workforce development and MSHDA.

FY 2015-16 DTED Budget = \$1,153,023,500
(Includes \$47.5 million in one-time appropriations)



APPROPRIATION AREAS

DTED Appropriations

The DTED budget is allocated into the following major spending areas:

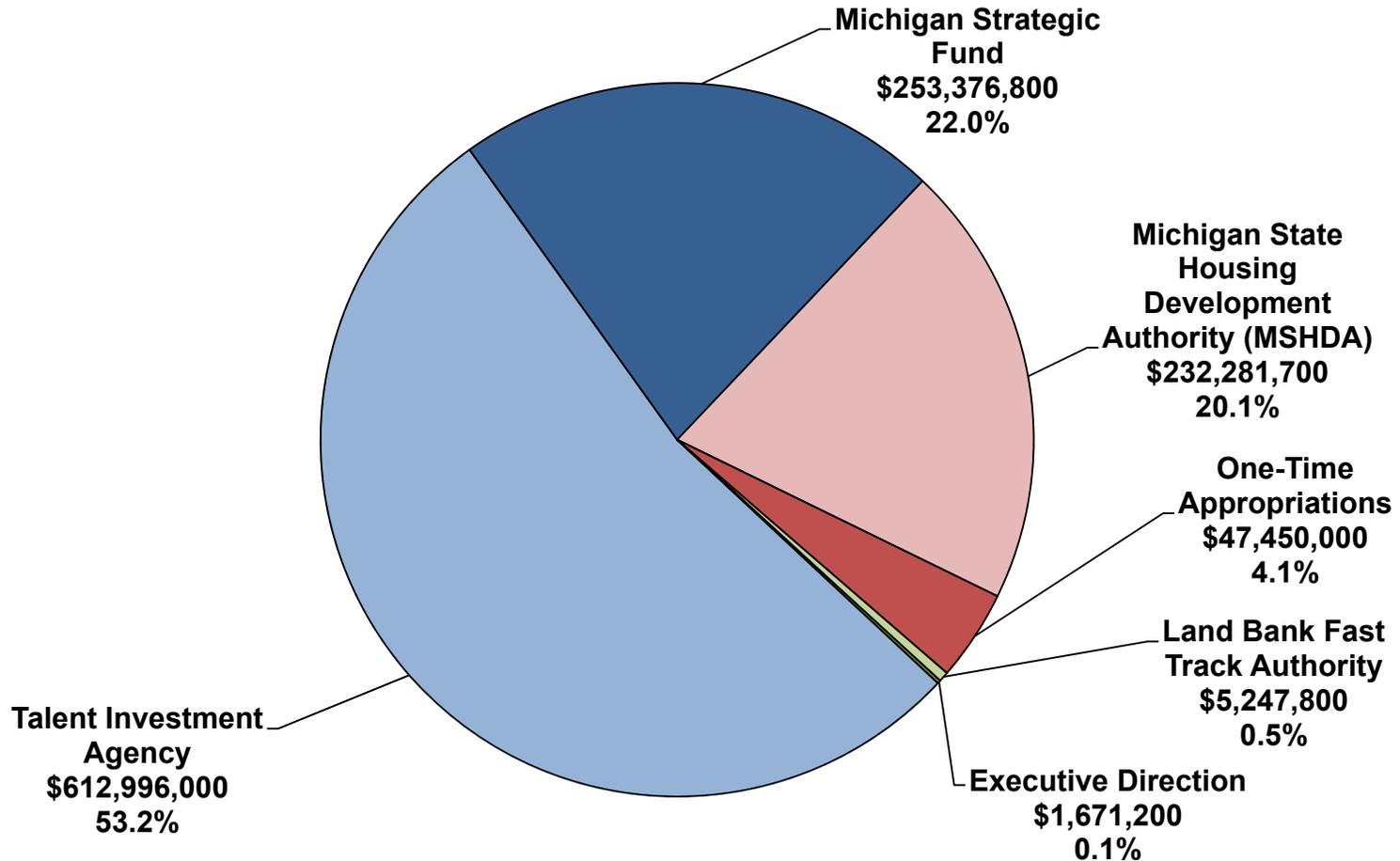
- Executive Direction
- Michigan Strategic Fund
- Talent Investment Agency
- Land Bank Fast Track Authority
- Michigan Strategic Fund – Michigan State Housing Development Authority
- One-Time Basis Only Appropriations

DTED Appropriations

The Talent Investment Agency (including workforce development and unemployment insurance) is the largest spending component in the budget.

FY 2015-16 DTED Budget = \$1,153,023,500

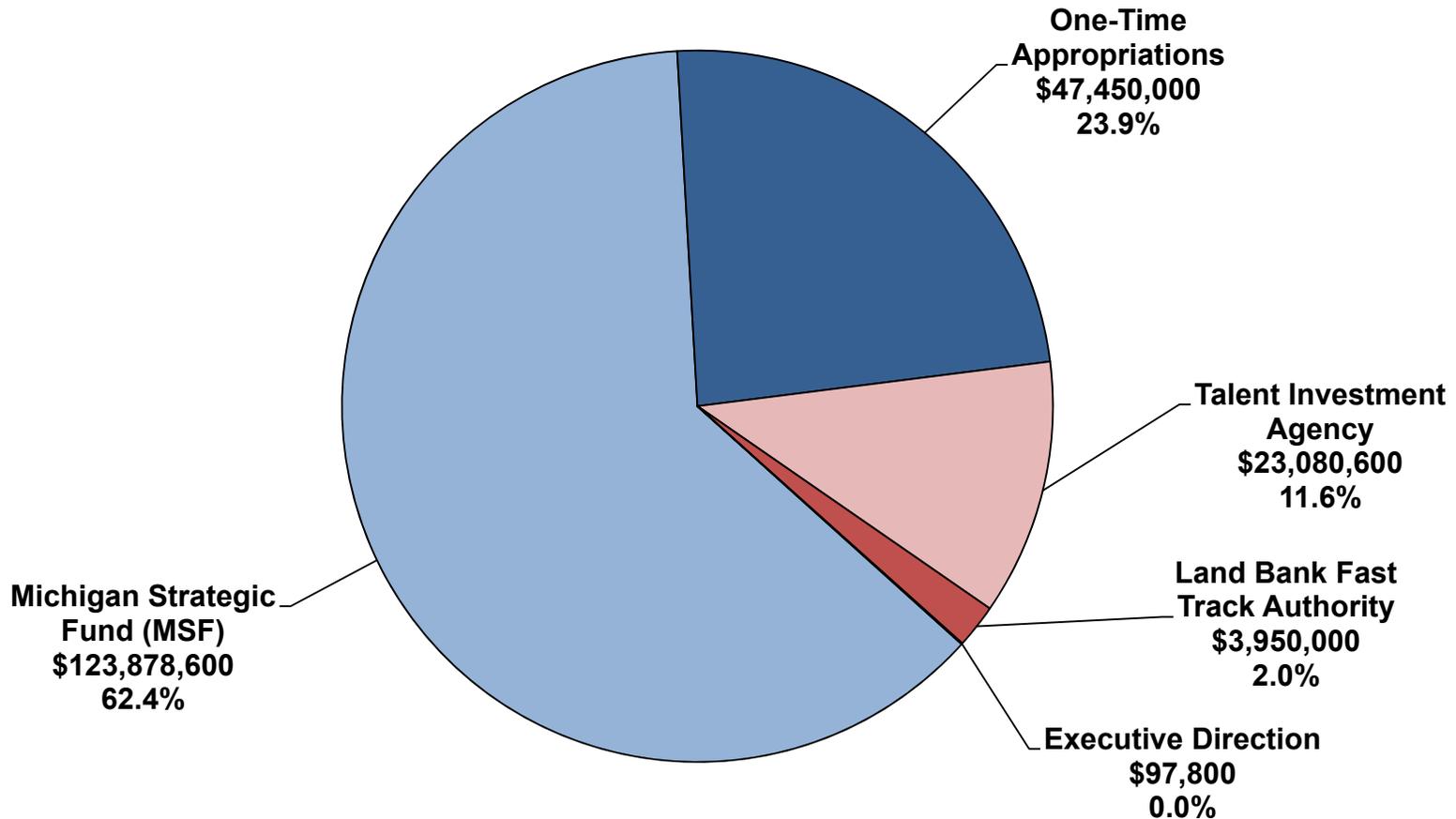
(Includes \$47.5 million in one-time appropriations)



DTED GF/GP Appropriations

Michigan Strategic Fund (MSF) is the largest GF/GP spending component in the budget.

FY 2015-16 DTED GF/GP Budget = \$198,457,000
(Includes \$47.5 million GF/GP in one-time appropriations)



MAJOR BUDGET TOPICS

Agencies Within DTED

- Autonomous entities organizationally housed in Department of Talent and Economic Development
 - Michigan Strategic Fund (1984 PA 270); transferred from Department of Treasury in Executive Order 2014-12
 - Michigan State Housing Development Authority (1966 PA 384); transferred from Department of Treasury in Executive Order 2014-12; includes the Michigan Land Bank Fast Track Authority
 - Talent Investment Agency (created in Executive Order 2014-12)
 - Unemployment Insurance Agency
 - Workforce Development Agency

Michigan Strategic Fund (MSF)

- Created by the Michigan Strategic Fund Act in 1984 (1984 PA 270)
- Has broad authority to promote economic development and the creation of jobs
- MSF program focus:
 - Attract and retain businesses in Michigan
 - Provide financial/technical assistance to facilitate business expansion
 - Promote Michigan as a business location and tourism destination
 - Workforce Development/Skills Training

Michigan Strategic Fund (MSF)

Michigan Economic Development Corporation (MEDC)

- Administrative responsibilities include:
 - Job Creation Services
 - Community Development Block Grants (CDBG)
 - Pure Michigan
 - Economic Development grants, loans and investments programs
 - 21st Century Jobs Trust Fund
 - Michigan Film Office
 - Provides staff to MSF Board
 - Arts and Cultural Grants
 - Community College Skilled Trades Equipment Program
 - Community Ventures
 - Debt Service on Facility for Rare Isotope Beams Bonds

Michigan Strategic Fund (MSF)

The MSF is administered by the 10-member Michigan Strategic Fund Board which has the following responsibilities:

- Approve grants and loans under the Michigan Business Development Program and Michigan Community Revitalization Program
- Approve the use of Private Activity Bonds
- Authorize local units of governments' Community Development Block Grant (CDBG) applications
- Recommend Agricultural Processing, Renewable Energy, and Forest Products Processing Renaissance Zones
- Approve MSF designated Renaissance Zones and Tool and Die Renaissance Recovery Zones
- Act as the fiduciary agent for the 21st Century Jobs Fund investments

Michigan Strategic Fund (MSF) Budget

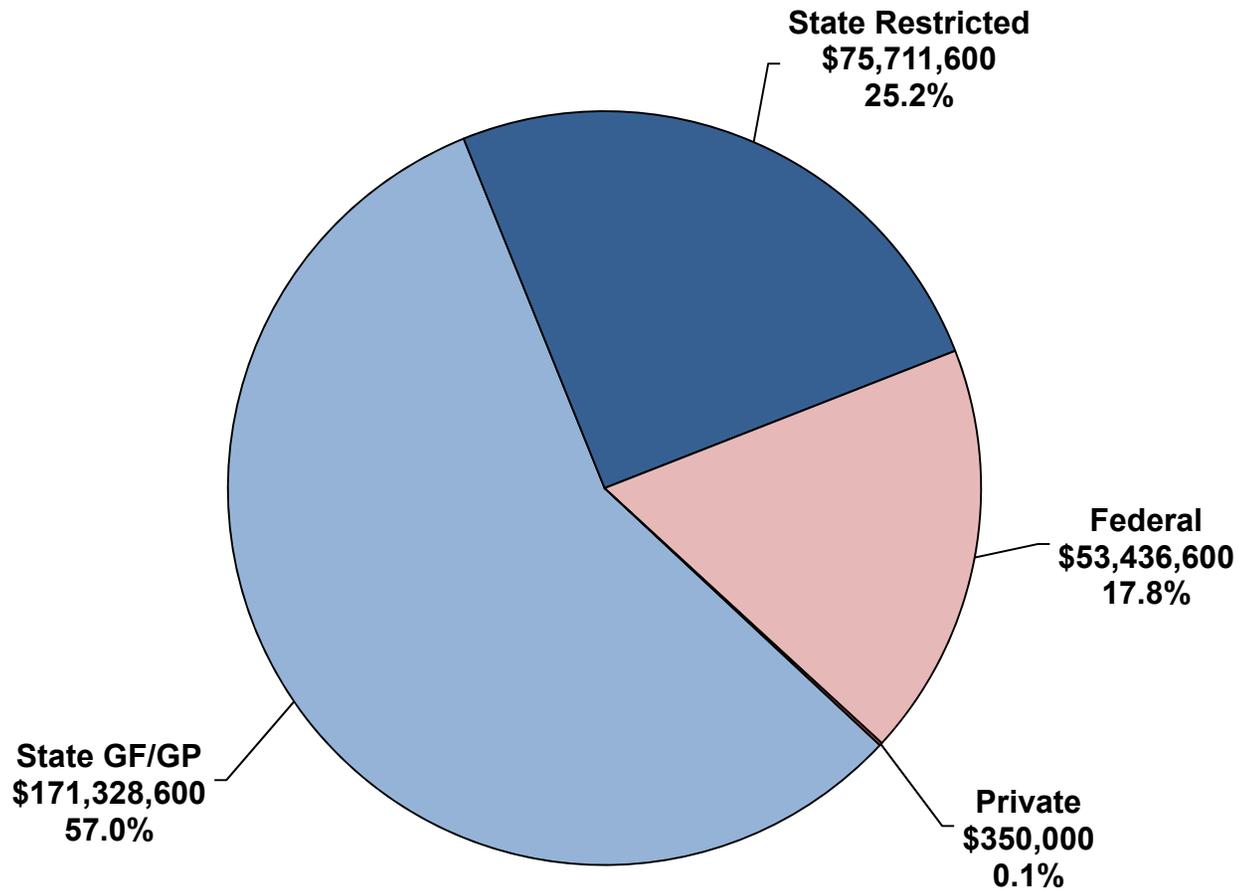
- Michigan Economic Development Corporation (MEDC):
 - Partnership with the MSF; helps administer MSF programs. MEDC is an autonomous agency within DTED
 - Has 61 local economic development partners
 - Local agencies sign interlocal agreements with MSF to coordinate economic development efforts
 - MSF personnel operate under MEDC (MSF's administrative arm, which provides all program services)

- In FY 2014-15, six tribal casinos authorized under negotiated compacts contributed a percentage of their gross winnings from gaming to MEDC (1 tribe pays 4%, 3 tribes pay 6%, 1 tribe pays 8%, 1 tribe pays a range between 4-8% depending on net win)
 - Casino revenue is not subject to legislative appropriation
 - Casino revenue (corporate funding) totaled \$56.9 million in calendar year 2014 (most recent year of data available)
 - Pokagon Band of Potawatomi Indians removed free play wagers from their payment in September 2015 and are expected to continue to withhold for a \$3-5 million annual impact
 - Gun Lake Tribe began withholding payments in FY 2014-15 due to iLottery introduction which will have annual impact of approximately \$13 million in reduced corporate revenues

MSF Revenue Sources

FY 2015-16 Total = \$300,826,800

(Includes \$47.5 million GF/GP in one-time appropriations. Does not include funds received from Tribal Casinos as corporate revenue)



Major MSF Programs

- Job Creation Services (\$17.1 million Gross; \$14.1 million GF/GP)
 - Provides administration of job creation services. Focus on attracting new company investments and jobs to Michigan and retaining Michigan businesses and jobs through various grant, loan, and tax incentive programs.
- Community Development Block Grants Programs (\$47.0 million Gross)
 - 100% Federally-funded grants to promote economic development planning and public infrastructure improvements needed to facilitate job creation
 - Funded projects must create jobs; at least 50% of jobs must accrue to low-income individuals
 - MEDC administers program for smaller municipalities; larger cities apply directly to federal government
- Film Incentives (\$25.0 million Gross and GF/GP) (one-time)
 - Grant and loan program for film, post-production, and interactive digital media projects. (Film Incentives were eliminated in PA 117 of 2015)
 - Dedicates \$19.1 million of total appropriation to compensate Michigan retirement systems for guarantee on debt associated with film studio.

Major MSF Programs

- Pure Michigan (\$33.0 million Gross)
 - Funded 100% with 21st Century Jobs Trust Fund
 - Business and Tourism Marketing campaigns to improve perceptions of Michigan and generate business growth opportunities and increased tourism in state

- Business Attraction and Economic Development (\$114.0 million Gross; \$93.4 million GF/GP)
 - Michigan Business Development Program provides incentive grants and loans to businesses moving to or expanding in the state of Michigan. Funds earned when job growth and investment targets met (created in PA 250 of 2011)
 - Community Revitalization Program replaced Brownfield and Historic Preservation tax incentives. Provides grants and loans for community revitalization investments. Specific agreement milestones would need to be reached to receive funding (Created in PA 251 of 2011)

- Entrepreneurship Eco-System (\$21.4 million Gross)
 - Funded 100% with 21st Century Jobs Trust Fund
 - Entrepreneurial capital and support; business incubator/accelerator programs; business development and marketing; small business services; university technology transfer; and administration.

Major MSF Programs

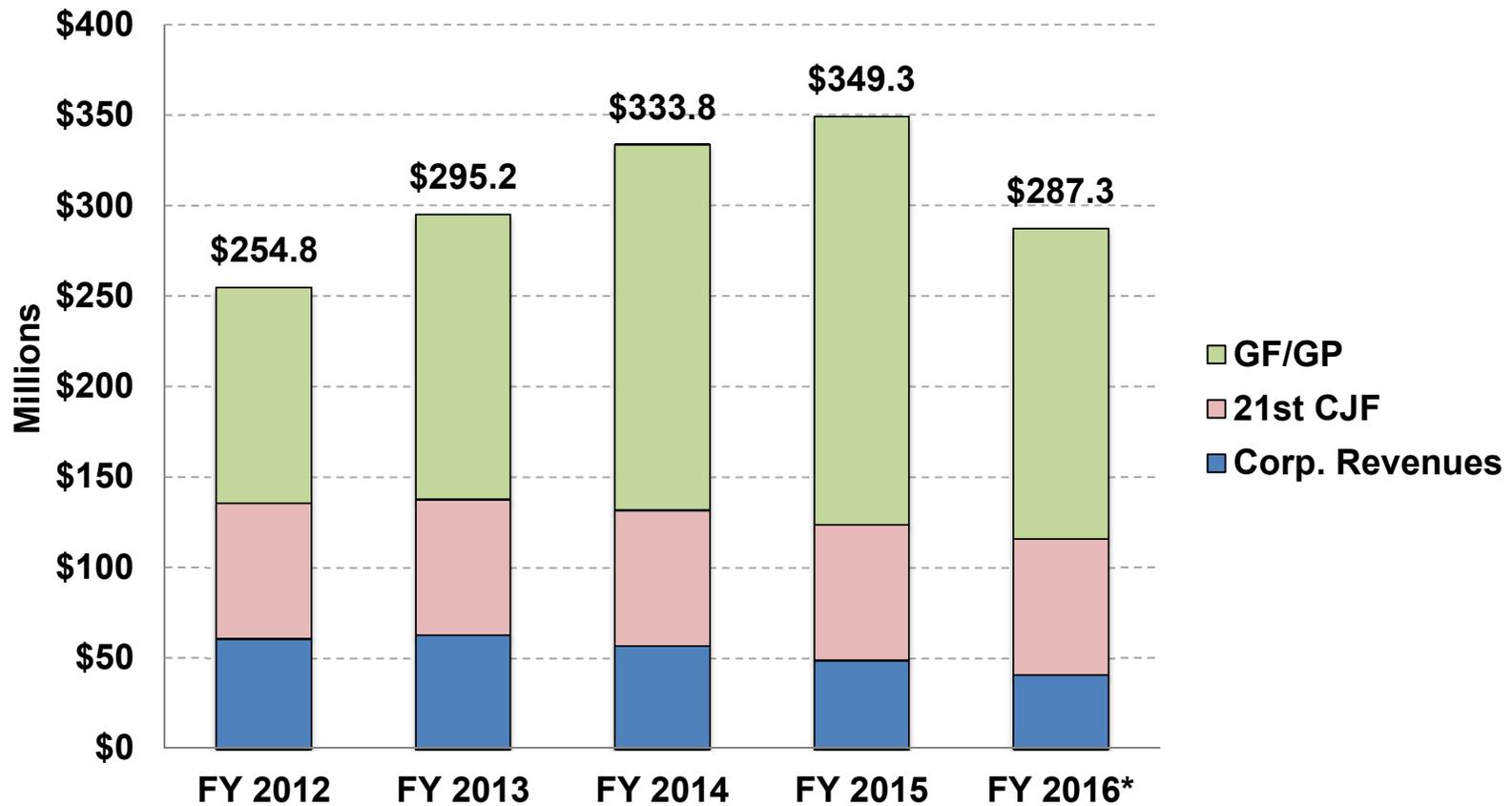
- Community Ventures (\$9.8 million Gross and GF/GP): Supports structurally unemployed initiatives in distressed cities (Detroit, Flint, Pontiac, and Saginaw)
- Arts and Cultural Grants (\$10.2 million Gross; \$9.0 million GF/GP): Michigan Council for Arts and Cultural Affairs distributes funds to public and private arts and cultural entities
- Community College Skilled Trades Equipment Program (\$4.6 million Gross and GF/GP)
 - Provides debt service payment for \$50.0 million bond program that would provide competitive grants to community colleges to upgrade training equipment necessary for skilled trades training.
- Special Grants (\$5.2 million Gross and GF/GP)

MSF Programs

21st Century Jobs Trust Fund

- 21st Century Jobs Trust Fund received an initial \$400.0 million funding for expenditures over two years, FY 2005-06 and FY 2006-07, to help Michigan achieve greater economic diversification. This funding was obtained through the securitization of 13.34% of Michigan's tobacco settlement revenue
- Statutory provisions provide that \$75.0 million in tobacco settlement revenue be credited to 21st Century Jobs Trust Fund each year from FY 2007-08 through FY 2018-19 for economic development programs
- \$75.0 million was appropriated to MSF from the 21st Century Jobs Trust Fund for FY 2015-16. Past appropriations have been reduced to help balance GF/GP budget.
- MSF Board previously allocated funding for loan enhancement programs, the investment program, and competitive edge technology projects (advanced manufacturing, alternative energy sources, homeland security, and life sciences projects)
- In FY 2015-16 \$75.0 million was appropriated between Pure Michigan (\$33.0 million), Entrepreneurship Eco-System (\$25.0 million), and Business Attraction and Economic Development (\$21.0 million)

Michigan Strategic Fund Economic Development Funds Post-Tax Restructuring



NOTE: Corporate revenues are not subject to legislative appropriation. FY 2014 and 2015 corporate revenue amounts are estimated.

*FY 2016 reductions due to budget cuts, corporate revenue reductions, and transfer of programs to Talent Investment Agency

MSF - Michigan State Housing Development Authority (MSHDA) Budget

- Payments on Behalf of Tenants (\$166.9 million Gross)
 - Housing Choice Voucher Program provides rental subsidy
 - Provide education and opportunities for families to become economically self-sufficient

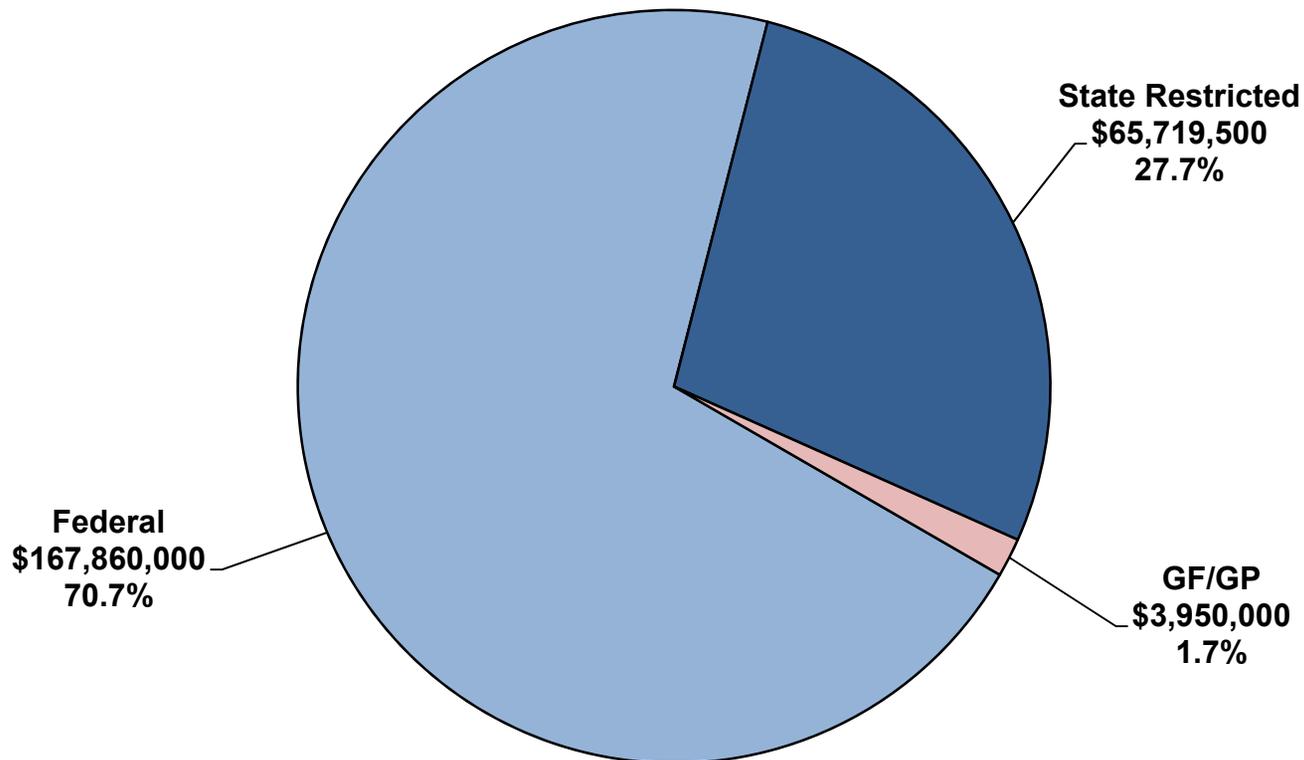
- Housing and Rental Assistance Programs (\$57.7 million Gross)
 - Administrative costs for administering various housing programs
 - State Historic Preservation Program

- Lighthouse Preservation Grant Program (\$307,500 Gross)

- Land Bank Fast Track Authority (\$5.2 million Gross; \$4.0 million GF/GP)
 - Assists in reversion of state owned tax reverted properties to viable use
 - Administers blight elimination funding

MSF - MSHDA Appropriations by Revenue Source

FY 2015-16 Total = \$237,529,500

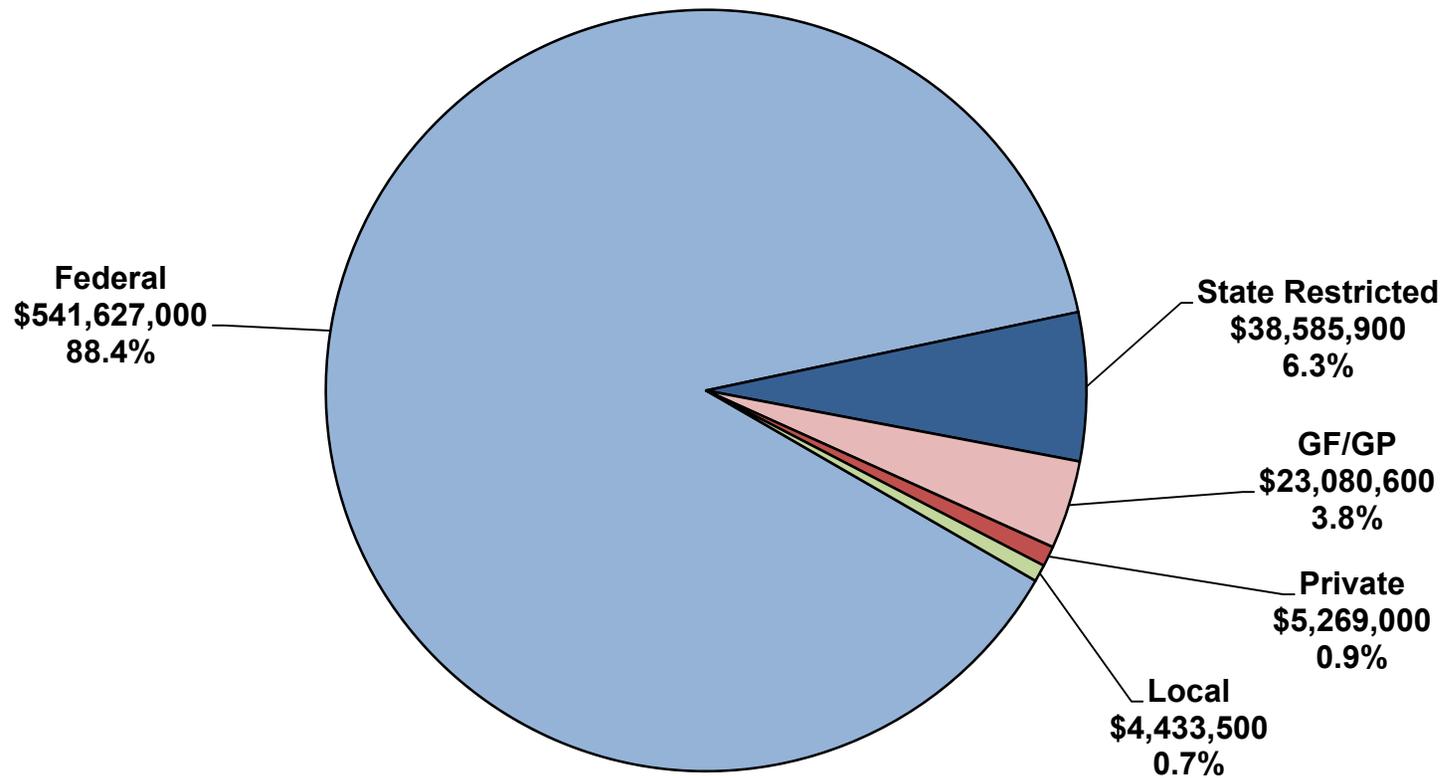


Talent Investment Agency (TIA)

- Created by the Executive Order 2014-12; includes Workforce Development Agency and Unemployment Insurance Agency
- Charged with providing programs that address the gap between employee needs and worker skill levels by integrating new workers into the economy and helping those that have been in or out of the workforce transition into new jobs
- TIA program focus:
 - Job preparedness
 - Career-based education
 - Worker training
 - Workforce Development/Skills Training
 - Employment assistance
 - Unemployment insurance

TIA Appropriations by Revenue Source

FY 2015-16 Total = \$612,996,000



Talent Investment Agency (TIA)

Workforce Development

- Workforce Program Administration (\$33.1 million Gross; \$1.9 million GF/GP)
 - Employment Services Administration:
 - Labor Exchange System (Pure Michigan Talent Connect);
 - Provides local employment assistance through veteran representatives, and disabled veterans outreach workers;
 - Provides agriculture services through migrant and seasonal outreach workers
 - Alien labor certification assistance
 - Administers Trade Adjustment Assistancess
 - Education Services Administration:
 - Manages Adult Education, Carl D. Perkins, King-Chavez-Parks Initiative, and GEAR-UP program grants
 - Manages archive of G.E.D. certificates
 - Oversight of various community college activities
 - Compiles career education consumers report

Talent Investment Agency (TIA)

Workforce Development

- Workforce Development Programs (\$391.2 million Gross; \$11.2 million GF/GP)
 - Workforce Innovation and Opportunity Act (WIOA)
 - Assists job seekers with accessing employment, education, and training and support services to match employers need for skilled workers
 - Employers and workers use the labor-exchange system (Pure Michigan Talen Connect) to meet federally required objectives for funds
 - Trade Adjustment Assistance (TAA)
 - Federal program assisting workers who have lost or may lose their job due to foreign trade
 - Provides opportunities to obtain skills, credentials, resources, and support necessary to become reemployed
 - Foreign Labor Certification
 - Assists employers with paperwork when requesting permission from Department of Labor to hire nonimmigrant foreign workers as temporary or seasonal employees when not enough U.S. workers are available or willing to perform work

Talent Investment Agency (TIA) Workforce Development

- Workforce Development Programs *continued*:
 - Partnership.Accountability.Training.Hope (PATH)
 - Work participation program designed to identify barriers faced by public assistance recipients and help participants connect to the resources needed to obtain unsubsidized employment
 - Participants are eligible for job search and job readiness services, support services (transportation, work clothing, pre-employment physicals), child care and transitional Medicaid provided through DHHS
 - Funds the federal Food Assistance Education and Training Program
 - Provides funding for training activities for individuals receiving food assistance
 - Administered locally by Michigan Works! Agencies

Talent Investment Agency (TIA)

Workforce Development

- Workforce Development Programs *continued*:
 - GEAR-UP Grants
 - Funds are used to increase the number of low-income students who attend college
 - Support tutoring, mentoring, and provide academic enrichment to at-risk youth (grades 7-12) to prepare for college and college scholarships
 - Funding for financial aid awards to students is in Higher Education budget
 - Carl D. Perkins
 - Grants to local school districts for curriculum design, teacher training, technology, and other material for vocational education programs
 - Includes tech prep consortia to help develop links between high school and community college technical programs
 - Adult Education
 - Funds support for instructional programs targeting individuals 16 years of age or older, not graduated from or enrolled in high school, and lacking basic education skills; help with completing high school or GED

Talent Investment Agency (TIA)

Skilled Trades Training

- Skilled Trades Training Program (\$25.6 million Gross; \$10.0 million GF/GP)
 - Addresses job and talent mismatches and enables employers to design training programs for potential employees
 - Provides competitive awards for employer responsive training (3 months or less)
 - Training programs must fill a demonstrated need experienced by an eligible participating business
 - Classroom training must lead to a credential for a skill that is transferable and recognized by the industry and leads to a permanent full-time employment or continued permanent full-time employment
 - Performance based: 50% reimbursement earned after 30 days employment; 75% reimbursement earned after 60 days; 100% reimbursement after 90 days employment
 - Up to \$5.0 million may be used for matching funds if a Michigan company has utilized its favored status from the Investments in Manufacturing Communities Partnership to receive an award from the federal government
 - Program transferred from MSF to TIA in Executive Order 2014-12

Talent Investment Agency (TIA) Skilled Trades Training

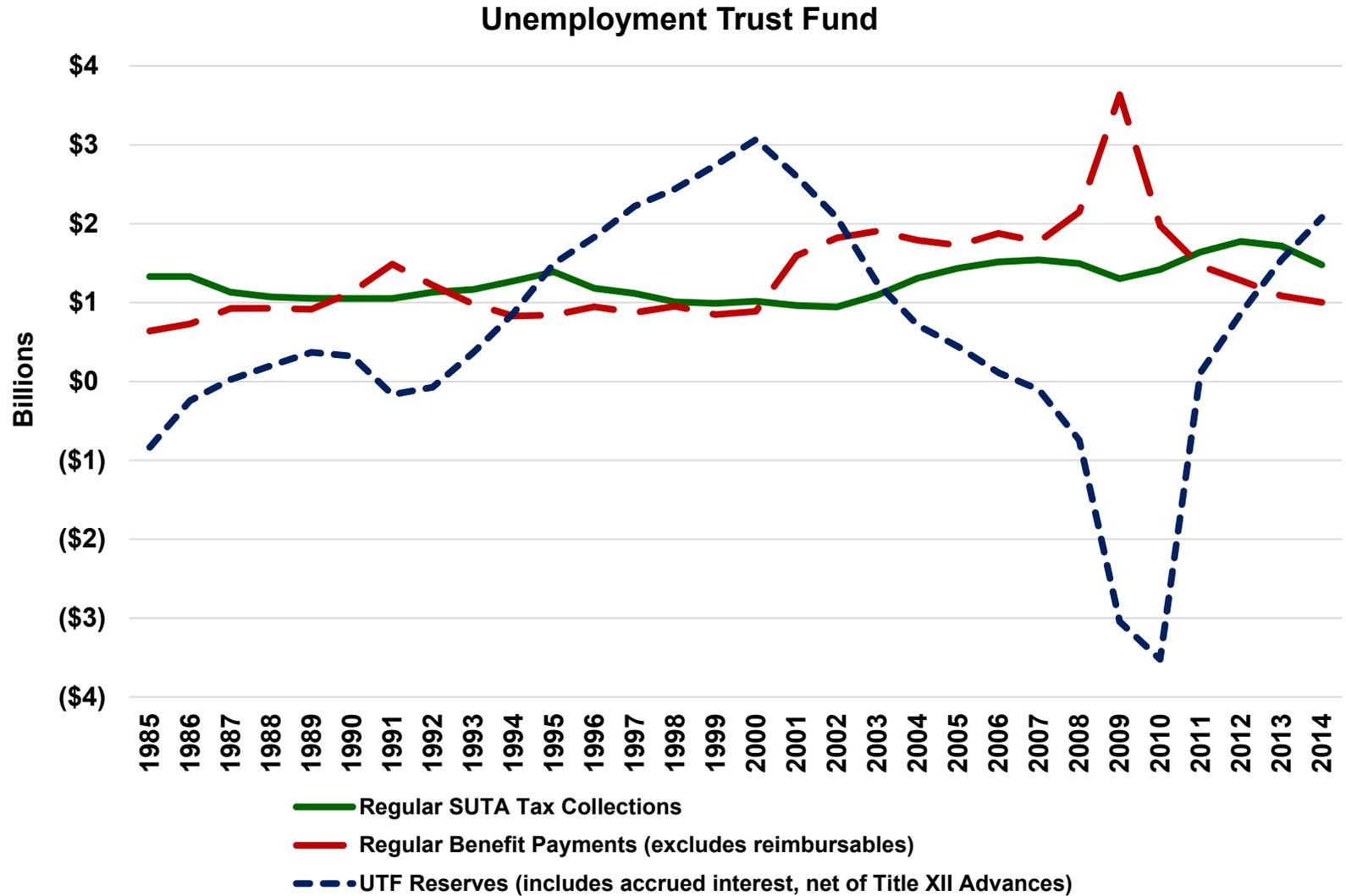
- Skilled Trades Training Program *continued*:
 - Program Performance FY 2015
 - Jobs Created: 2,613
 - Jobs Retained: 6,100
 - Training Completion Rate: 90%
 - Employment Retention Rate at 6 Months: 95%
 - Hourly Wage at 6 Months: \$19.99
 - Number of Companies Receiving Funds: 275
 - Average Cost of Training per Participant: \$938

Talent Investment Agency (TIA)

Unemployment Insurance Agency (UIA)

- Unemployment benefits are primarily supported by state payroll taxes levied on eligible employers and are not subject to the state appropriation process
- Administration of the UIA is entirely supported by annual federal grants supported by federal payroll taxes (\$139.6 million Gross)
- Public Acts 14 and 269 of 2011 significantly reformed the state's unemployment insurance program; designed to improve program solvency by generally raising tax collections and reducing benefit payments
- Following several years of borrowing from the federal government, the state's reserves in the Unemployment Trust Fund are now positive due to the issuance of state bonds under Pas 267 and 268 of 2011
- Tax collections have recently decreased due to the state maintaining a \$2.5 billion balance in the trust fund for two consecutive quarters which led to a decreasing of the taxable wage base (\$9,500 to \$9,000); regular benefit payments have decreased year-over-year since 2009; reserves have accumulated since 2011, though are only about half of the amount recommended by the federal government

Talent Investment Agency (TIA) Unemployment Insurance Agency (UIA)



**For more information about the
Talent and Economic Development
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