



# **Budget Briefing: Labor and Economic Opportunity**

Viola Bay Wild, Senior Fiscal Analyst

December 2023

# 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 2023-24 is October 1, 2023 through September 30, 2024.

**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.

**Lapses:** 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.

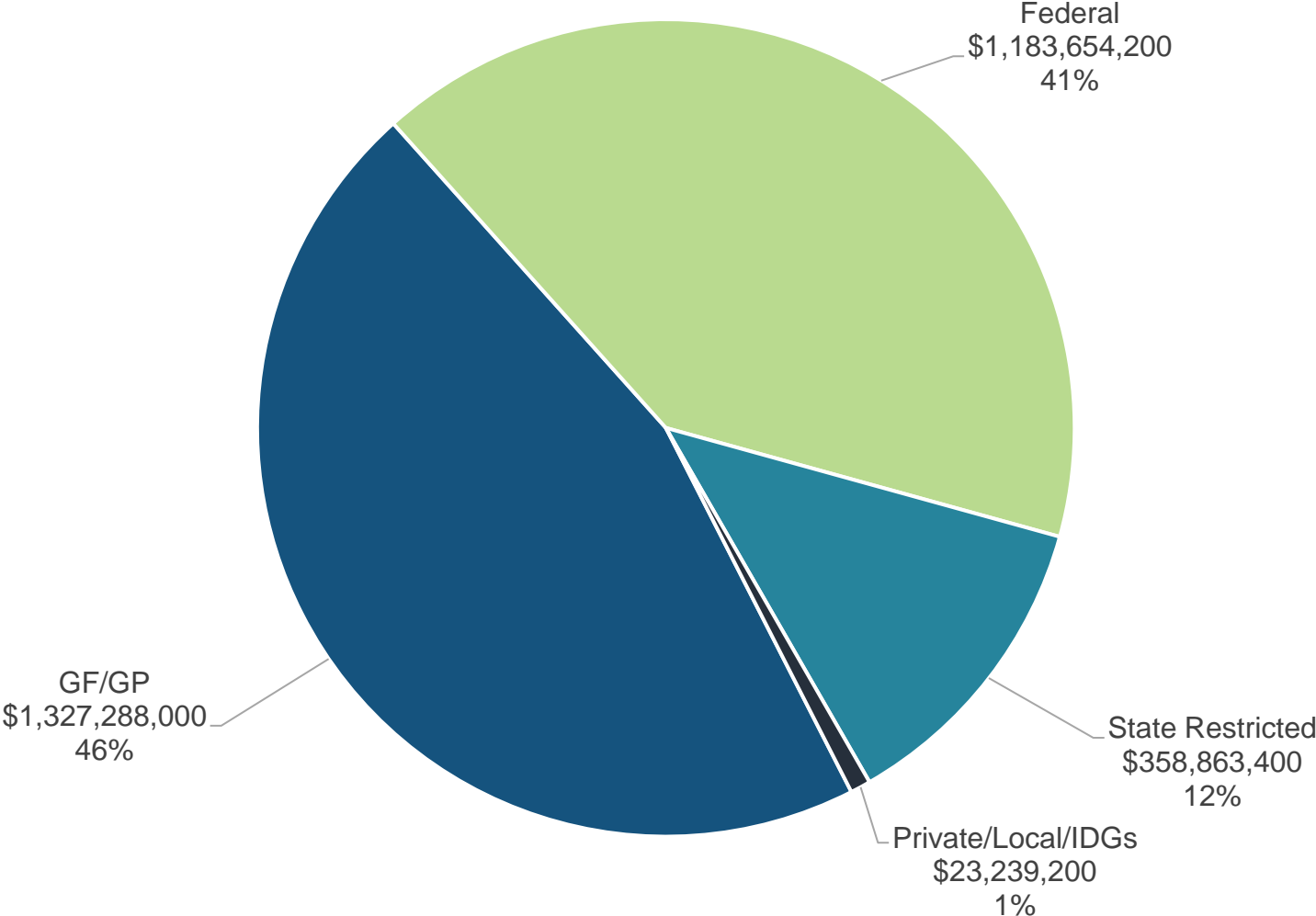
# Funding Sources

# FY 2023-24 Labor and Economic Opportunity Budget

Fund Source	Funding	Description
Gross Appropriations	\$2,893,044,800	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	\$2,893,044,800	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,183,654,200	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	10,700,000	Revenue received from local units of government for state services
Private Revenue	12,539,200	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	358,863,400	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	\$1,327,288,000	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

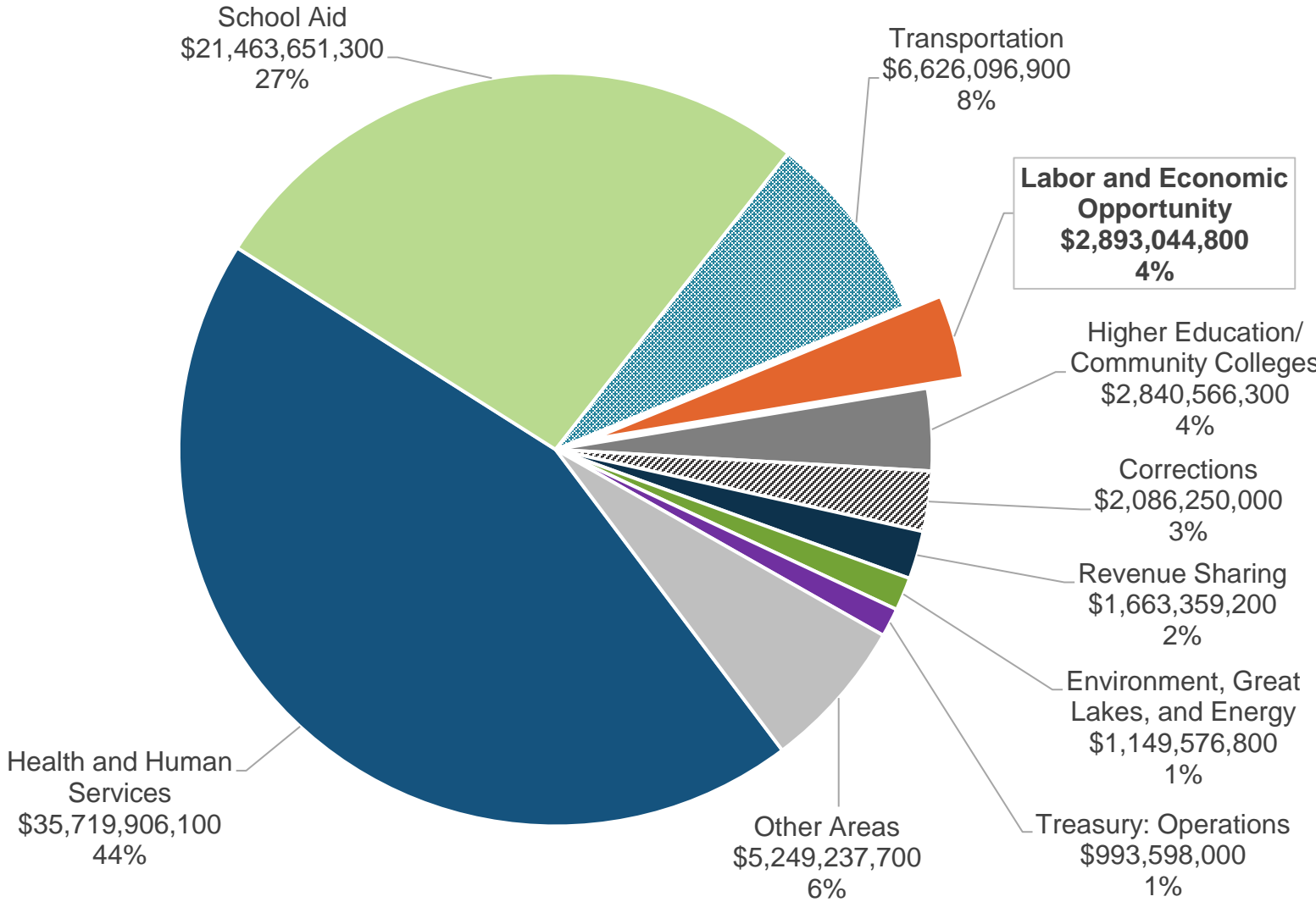
# FY 2023-24 Fund Sources

Approximately **41%** of the **\$2.9 billion** LEO budget is funded by federal revenue, including Workforce Investment Opportunity Act funds, unemployment insurance, Community Development Block Grants, and other U.S. Department of Labor and U.S. Department of Education funds.



# LEO Share of Total State Budget

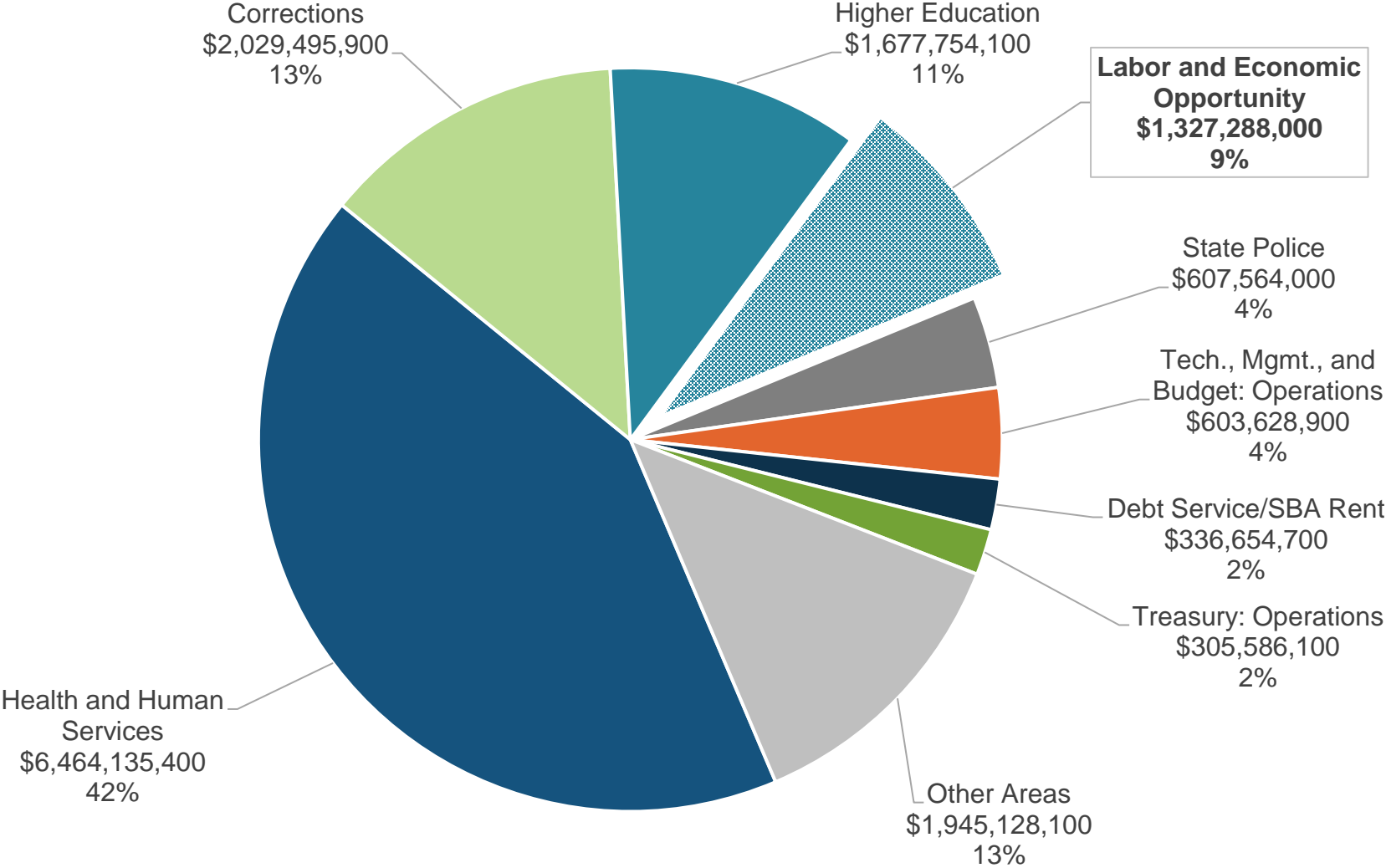
The LEO budget represents approximately 4% of the \$80.7 billion state budget (adjusted gross) for FY 2023-24.





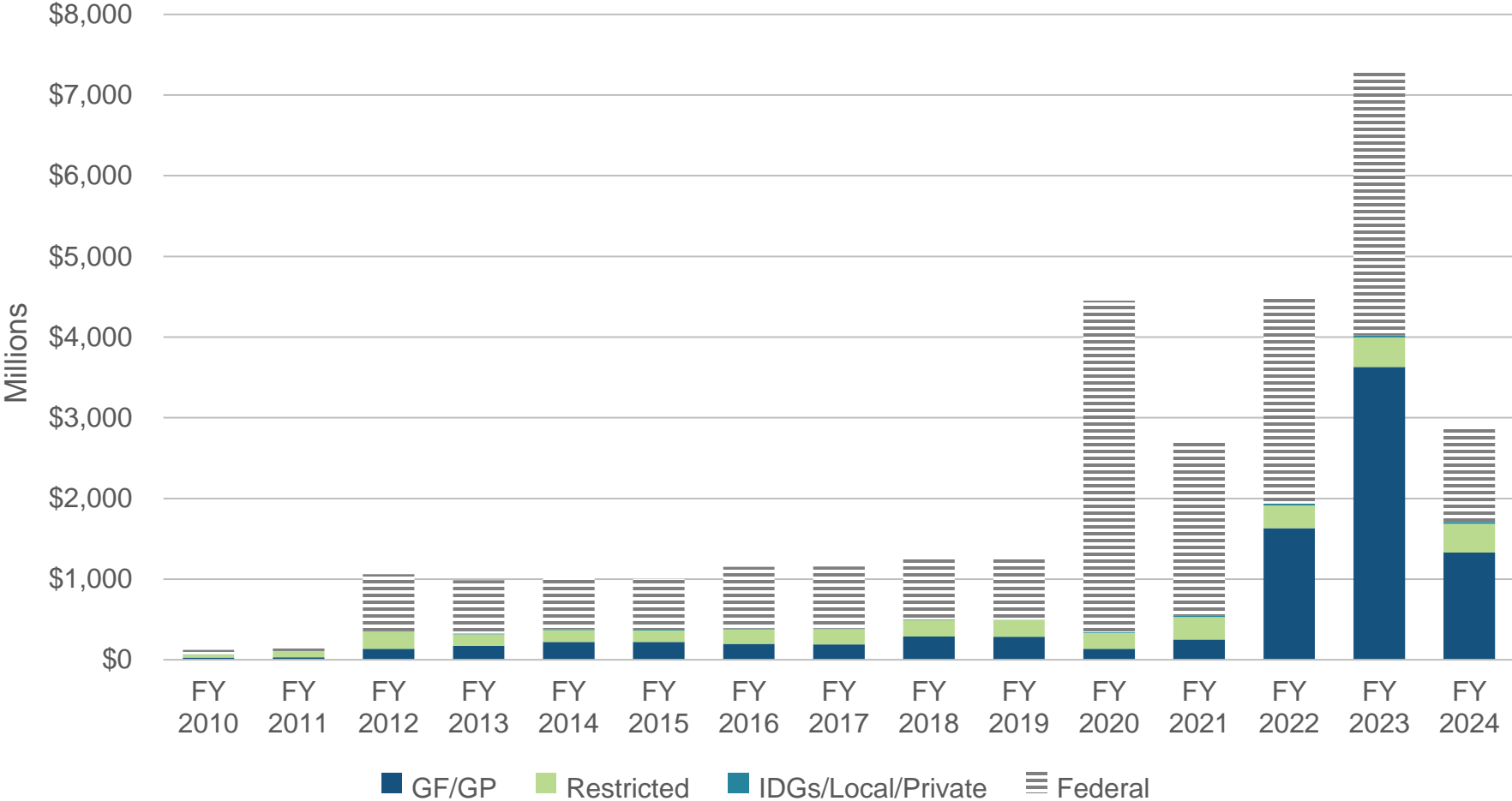
# LEO Share of Total GF/GP Budget

The LEO budget represents approximately **9%** of the **\$15.3 billion** state GF/GP budget appropriations for FY 2023-24.



# LEO Funding History

Funding for LEO, formerly the Department of Talent and Economic Development, has grown by **2,240%** since FY 2009-10, driven by the expansion of GF/GP funded economic development programs after elimination of tax credits and consolidation of economic development and other programs from various departments. FY 2019-20 through FY 2022-23 increases mainly due to pandemic-related appropriations, including additional UIA funding in FY 2019-20.



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 Bureau of Services for Blind Persons, Centers for 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 Insurance Agency:** 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, Hispanic/Latino Commission of Michigan, Michigan Community Service Commission, and Michigan Women's Commission

# 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; supports arts and cultural grants, community college skilled trades equipment program debt service, the facility for rare isotope beams debt service, tourism and business marketing, and Pure Michigan programs

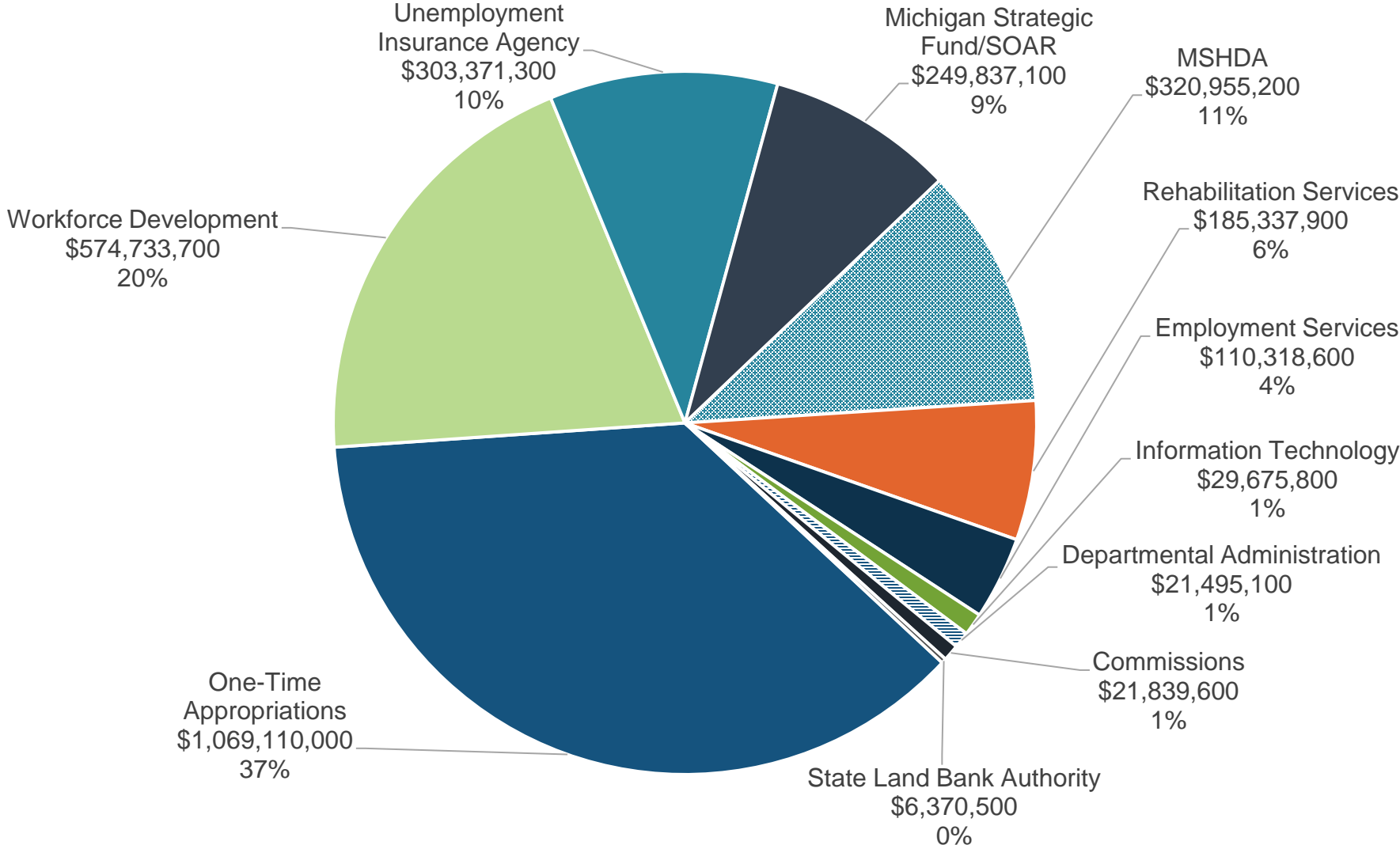
**Michigan State Housing Development Authority:** Improves the supply of safe and sanitary dwelling accommodations for low- and moderate-income families, senior citizens, and the handicapped; protects historic and archaeological sites; builds cultural community property

**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

**One-Time Appropriations:** Includes one-time appropriations for various programs, including college success student supports, community enhancement grants, economic development grants, fire gear equipment grants, healthcare grants, high speed rail grants, housing grants, transformational housing projects, Michigan enhancement grants, public infrastructure grants, public safety grants, skilled trade grants, municipal infrastructure grants, and workforce development grants

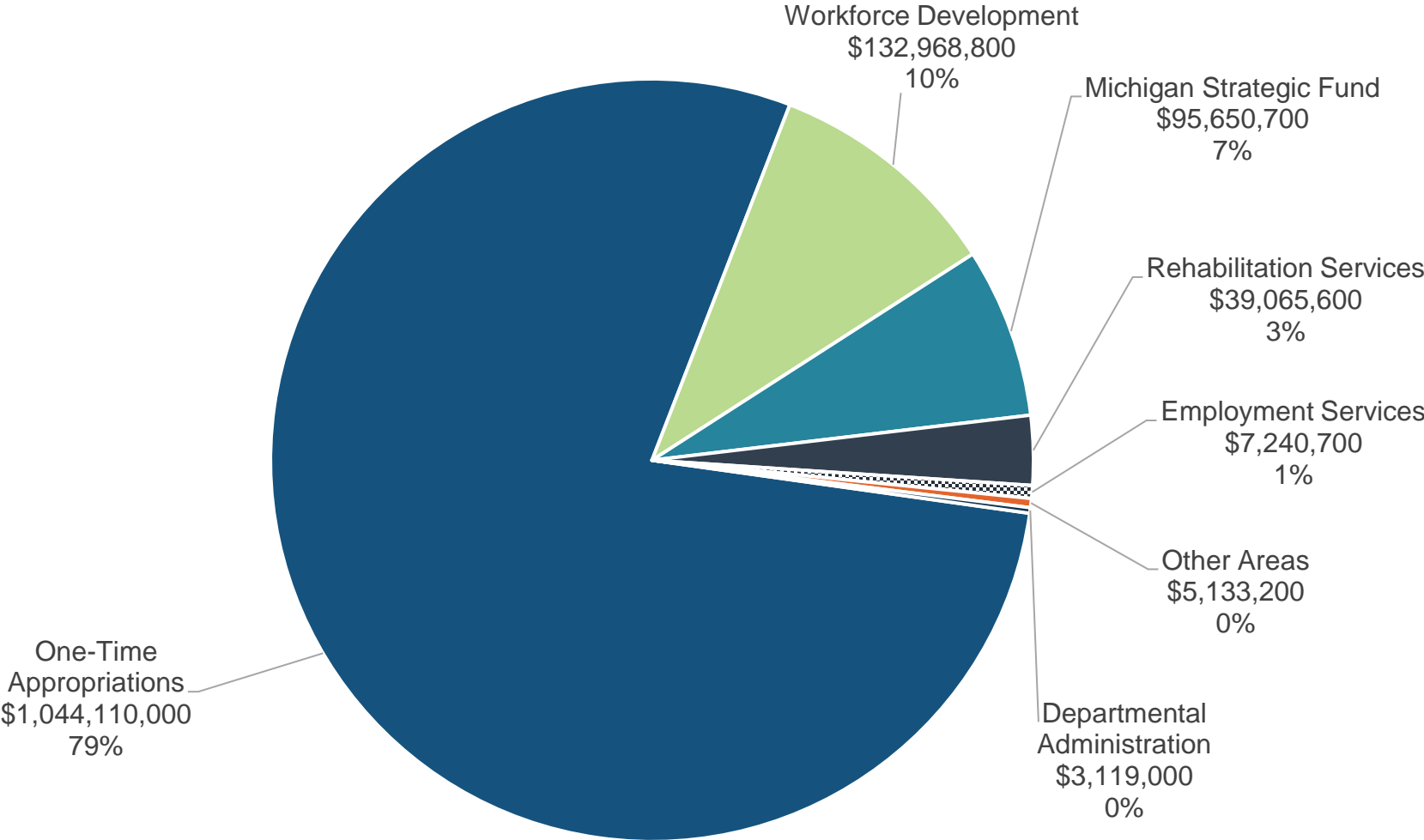
# FY 2023-24 Gross Appropriations

Approximately **37%** of the **\$2.9 billion** LEO budget supports one-time appropriations which include 16 grant programs as well as other programs.



# FY 2023-24 GF/GP Appropriations

Approximately **79%** of LEO GF/GP funds (totaling **\$1.3 billion**) support one-time appropriations which fund 33 separate programs.



# Major Budget Topics



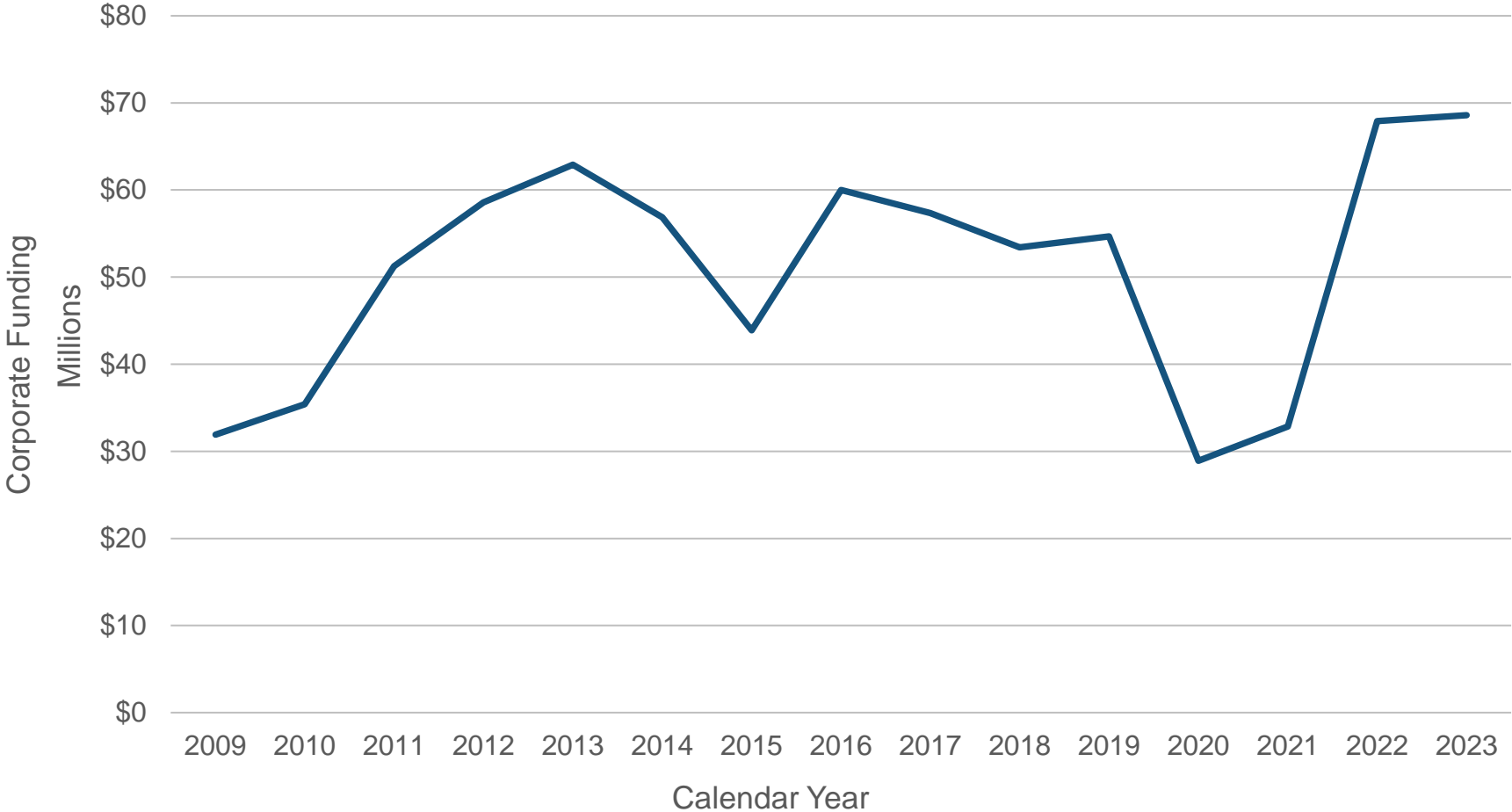
# Michigan Strategic Fund (MSF)

# MEDC/MSF Corporate Funding

- Michigan has entered in compacts with 12 Indian tribes to operate tribal casinos; there are currently 23 operating tribal casinos. Originally, these compacts granted the tribes some level of geographic gaming exclusivity. Some tribes must give the state a percentage of the casinos' annual net win, ranging from 1 – 12%
- The first individual tribal compacts were entered into in 1993. Since then, some tribes have withheld payments for perceived violations of their compacts' gaming exclusivity provisions, such as the approval of 3 non-tribal Detroit casinos in 1998, the introduction of iLottery in 2015, and the approval of charitable gaming. In such cases, new agreements were made with the tribes; some tribes no longer make net win payments to the state
- In calendar year 2022, five tribes paid **\$52.8 million** of their gross winnings from tribal casino gaming. These tribal casino revenue payments go to the MEDC as corporate dollars that are separate from state revenue and not subject to legislative appropriation; expenditure of funds is determined by MEDC Board. 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
- Tribal agreements require that all tribes pay local governments annual 2% payments. In 2022, these payments totaled \$30.8 million

# History of Corporate Funding

Increases from 2007-2013 were due to new casinos paying under 1998 compacts. Decreases in 2013 and 2014 stem from reduced or withheld payments and lower gaming revenues. Increases in 2015 stem from increased wagering and new a settlement with several tribes. In 2018 and 2019, new tribes began withholding their 6% payment. Decreases in 2020 were due to withheld payments by two additional tribes and lower wagering revenues due to the pandemic.

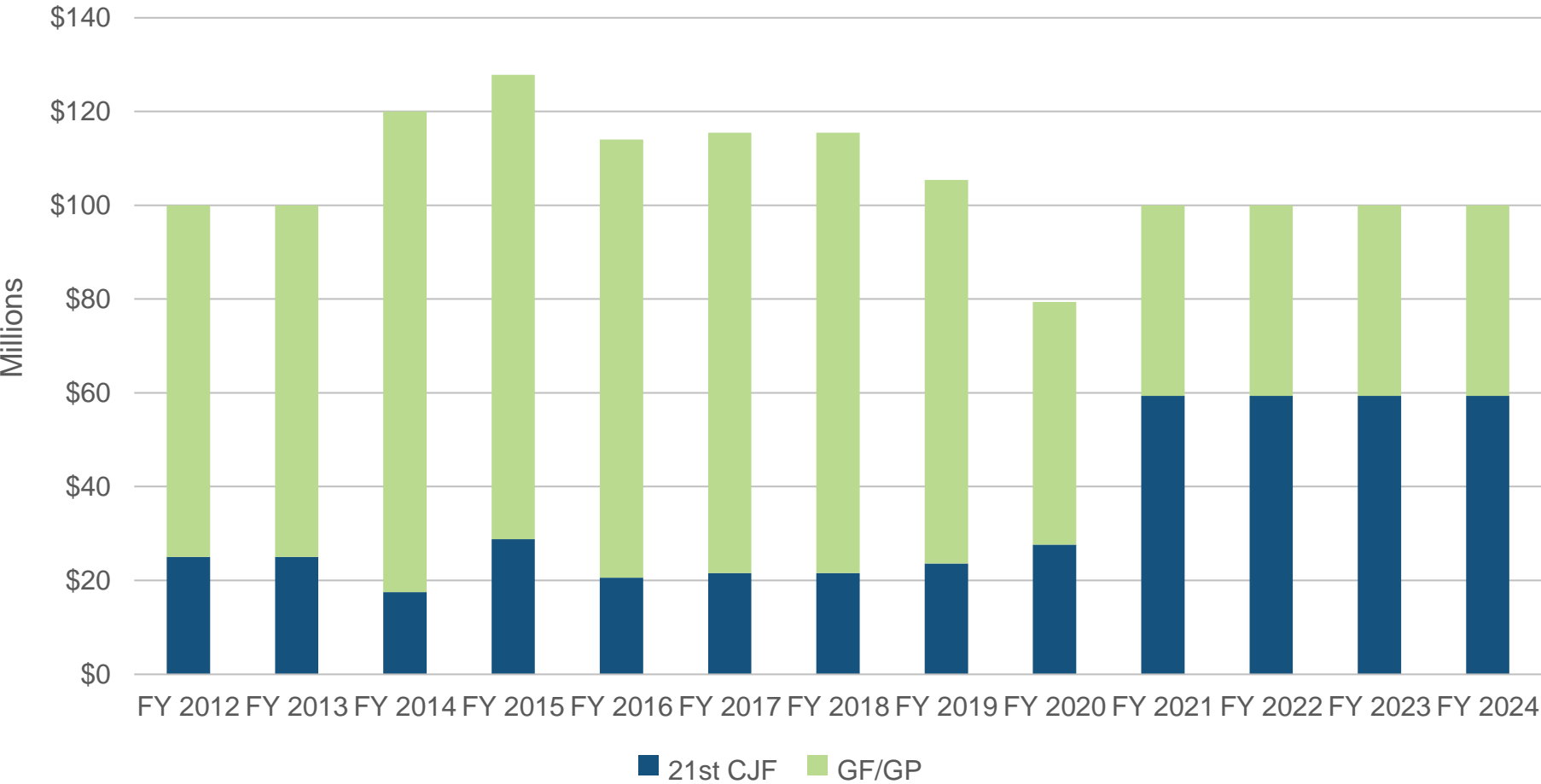


# MSF - Business Attraction and Community Revitalization

- 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
  - Section 514 of boilerplate requires a minimum of 20% of total business attraction and community revitalization funding to go to brownfield redevelopment and historic preservation projects under the community revitalization program

# MSF - Business Attraction and Community Revitalization Funding

Program established in FY 2012 to replace business tax credit programs in conjunction with the introduction of the corporate income tax. Funding for the program was reduced by \$10.1 million in FY 2018-19 and by another \$26.0 million in FY 2019-20. Beginning in FY 2020-21, \$100.0 million has been appropriated each fiscal year.

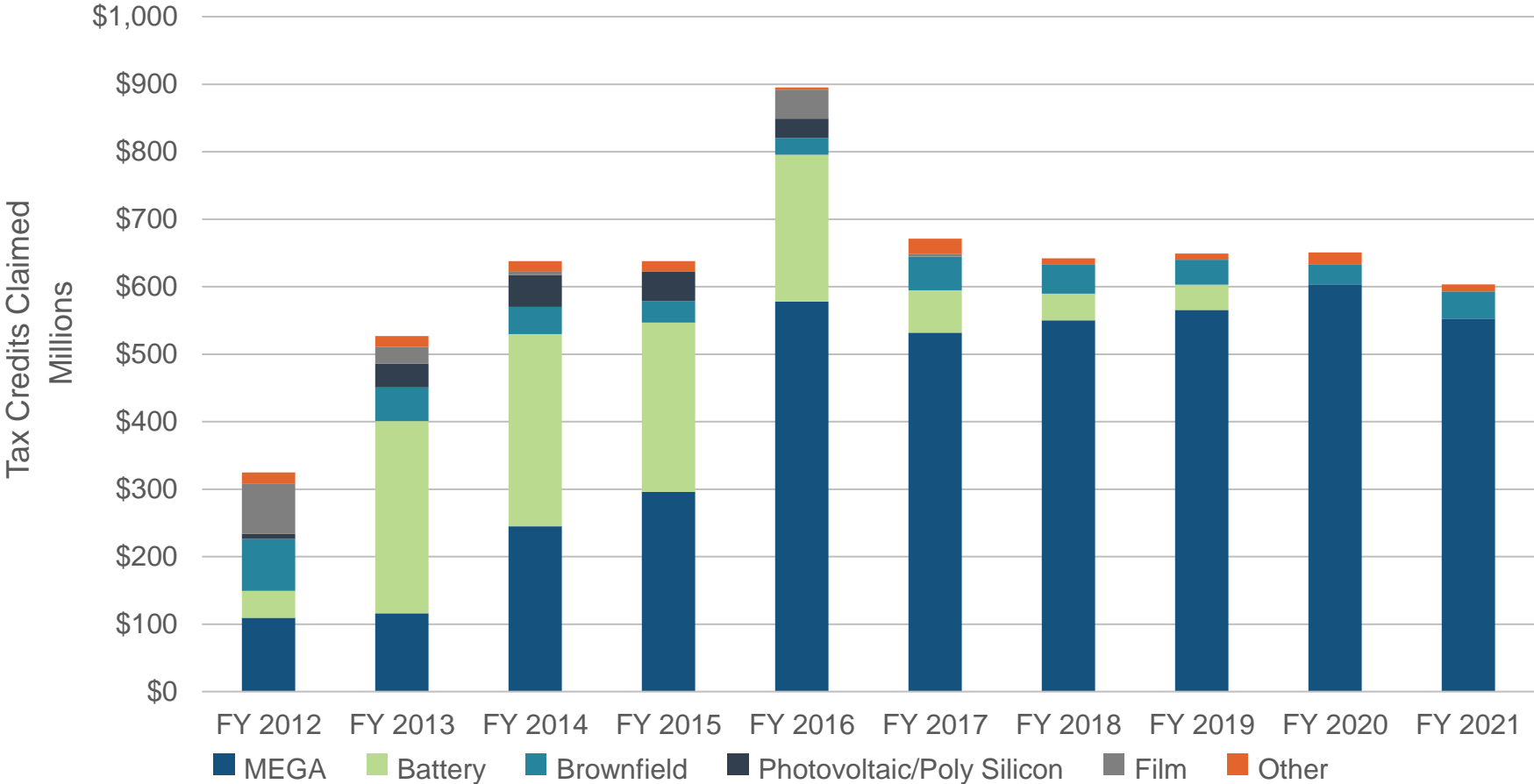


# MSF - Michigan Business Tax Certificated Credits

- 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 on the Michigan Department of Treasury website under Budget Reports: Executive Budget Appendix on Tax Credits, Deductions and Exemptions [here](#)

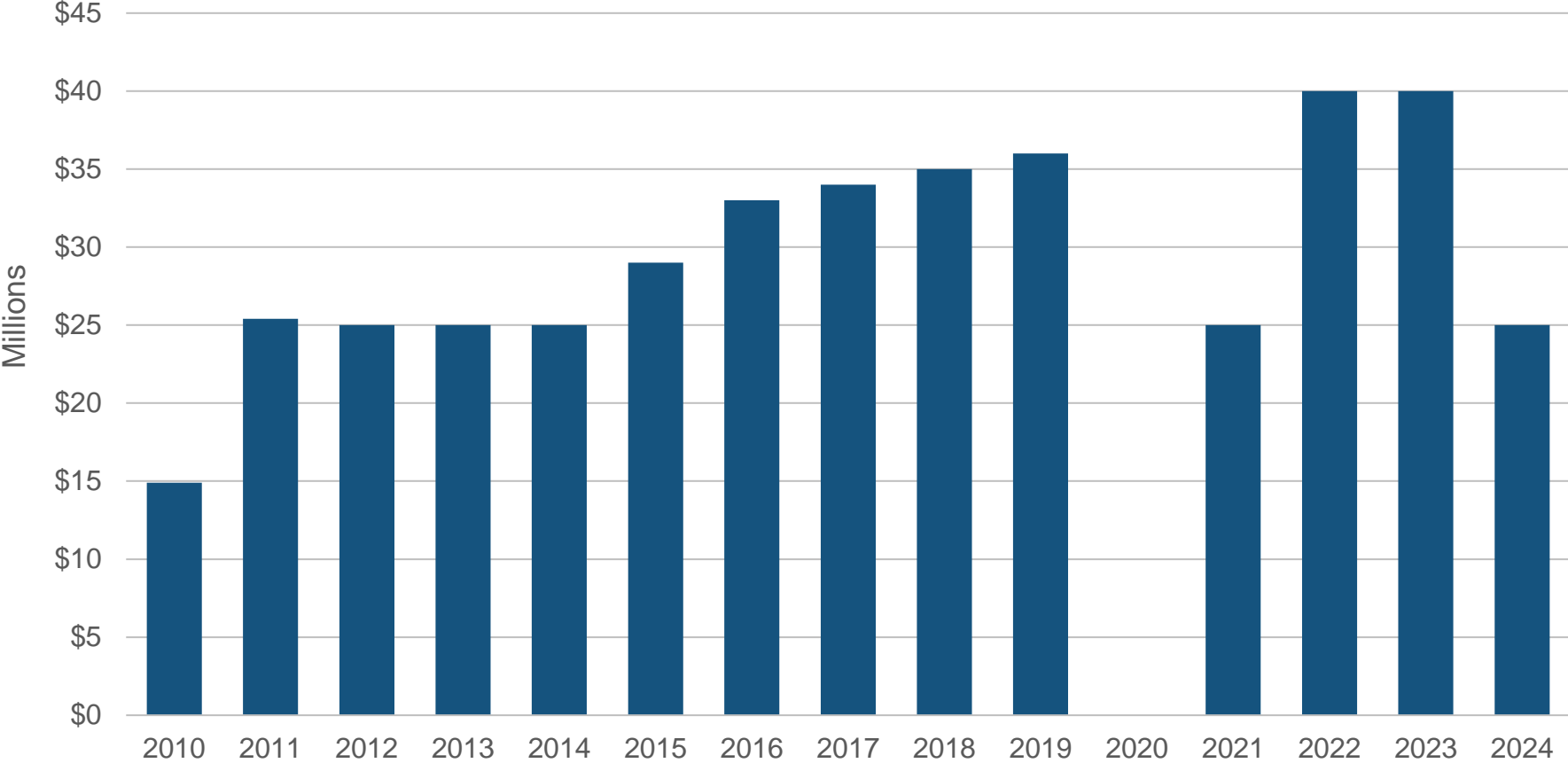
# MSF - Michigan Business Tax Certificated Credits - Claimed

MBT Certificated Tax 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. There are no longer outstanding credits for battery, photovoltaic/poly silicon, or film businesses.



# Pure Michigan Funding

Pure Michigan funding totaling \$37.0 million was vetoed by the governor in FY 2019-20 after steadily growing between FYs 2011-12 and 2018-19. The FY 2023-24 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.



# Strategic Outreach and Attraction Reserve (SOAR) Fund

- The SOAR Fund was created in 2021 PA 137 along with two component programs: The Critical Industries Program (CIP) and the Strategic Site Readiness Program (SSRP).
- The MEDC administers both programs to provide financial incentives to businesses to relocate to or expand in Michigan. Funding may also be allocated to local governments for approved infrastructure needed for large projects.
- The SOAR Fund receives funding when the legislature appropriates GF/GP funding to the fund. The legislature then transfers funding from the SOAR Fund to the CIP or SSRP through the legislative transfer process or a supplemental appropriation after projects are approved by the MSF Board.
- Over the last two years, nearly \$1.8 billion has been transferred from the SOAR Fund to the CIP or the SSRP for approved projects. Any unobligated funding remaining in the SOAR Fund at the end of the fiscal year must lapse to the state's general fund.
- The chart on the following page provides details on the legislative transfers from the SOAR Fund in FY 2022 and FY 2023.

# SOAR Fund Transfers in FY 2022 and FY 2023

## SOAR Projects Funded in FY 2022 and FY 2023 (In Millions)

<u>Project</u>	<u>Program</u>	<u>Funding Amount</u>	<u>Legislative Transfer</u>
GM EV Expansion / Ultium Cells Battery	CIP	\$600.0	2022-1
Various projects to be approved by MSF Board	SSRP	\$250.0	2023-5
Ford BlueOval Battery Park	CIP	\$210.0	2023-2
Our Next Energy (ONE) Battery Manufacturing	CIP	\$200.0	2023-1
Gotion Inc., Battery Manufacturing	CIP	\$125.0	2023-1
Marshall Area Economic Development Alliance (Infrastructure for Ford BlueOval Battery Park)	SSRP	\$120.3	2023-4
Ford – Capital Investments at 5 sites	CIP	\$100.8	2022-4
Lansing Economic Area Partnership (Infrastructure for GM / Ultium project)	SSRP	\$66.1	2022-1
Muskegon County for Wastewater and Disposal	SSRP	\$60.0	2023-1
The Right Place, Inc. (Infrastructure upgrades for Gotion project)	SSRP	\$50.0	2023-1
<b>Total</b>		<b>\$1,782.2</b>	

# Workforce Development

# Going Pro

- FY 2023-24 funding: **\$54.8 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 2021-22:
  - Individuals to be hired/trained: 16,040
  - Current employees to be trained: 14,017
  - Training completion rate: N/A
  - Employment retention rate at 6 months: N/A
  - Hourly wage at six months: \$29.82
  - Number of companies benefiting: 1,128
  - Average cost of training per participant: \$1,456

# Other Workforce Development Programs

- At-Risk Youth Grants – Supports grant funding to jobs for Michigan graduates program (**\$5.7 million**)
- High School Equivalency-to-School – Reimbursement for high school equivalency test costs for individuals meeting certain qualifications (**\$250,000**)
- Michigan Reconnect Grant Program – Supports last-dollar scholarships to individuals over age 25 seeking an associate degree or Pell-eligible skill certificate (**\$65.2 million**)
- Workforce Development Programs (includes administration) – Distributes funds through 25 Michigan Works! agencies pursuant to federal grants (**\$439.5 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
- Tri-Share Child Care Program (**\$3.4 million**) – Supports childcare program that divides childcare costs equally between employee, employer and the state

# Rehabilitation Services

# Rehabilitation Services

- Bureau of Services for Blind Persons (**\$25.7 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
- Centers for Independent Living (**\$19.7 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 (**\$139.5 million**)
  - Provides funding for regional offices and central administration to provide vocational rehabilitation services for persons with disabilities; services are determined through individualized plans 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 (**\$36.6 million**)
  - Develops and enforces occupational safety and health standards, provides safety and health training and education, and works with outside partners to develop programs to 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 (**\$39.9 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 (**\$3.5 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 (**\$4.5 million**)
  - Enforces Michigan wage statutes by responding to complaints, conducting on-site investigations, assisting with voluntary compliance efforts, conducting performance audits of employer records, issuing notices of corrective action, and educating employers and employees about wage laws and standards
- Workers' Disability Compensation Agency (**\$8.3 million**)
  - Oversees enforcement and administration of the Workers' Disability Compensation Act

# Unemployment Insurance Agency

# Unemployment

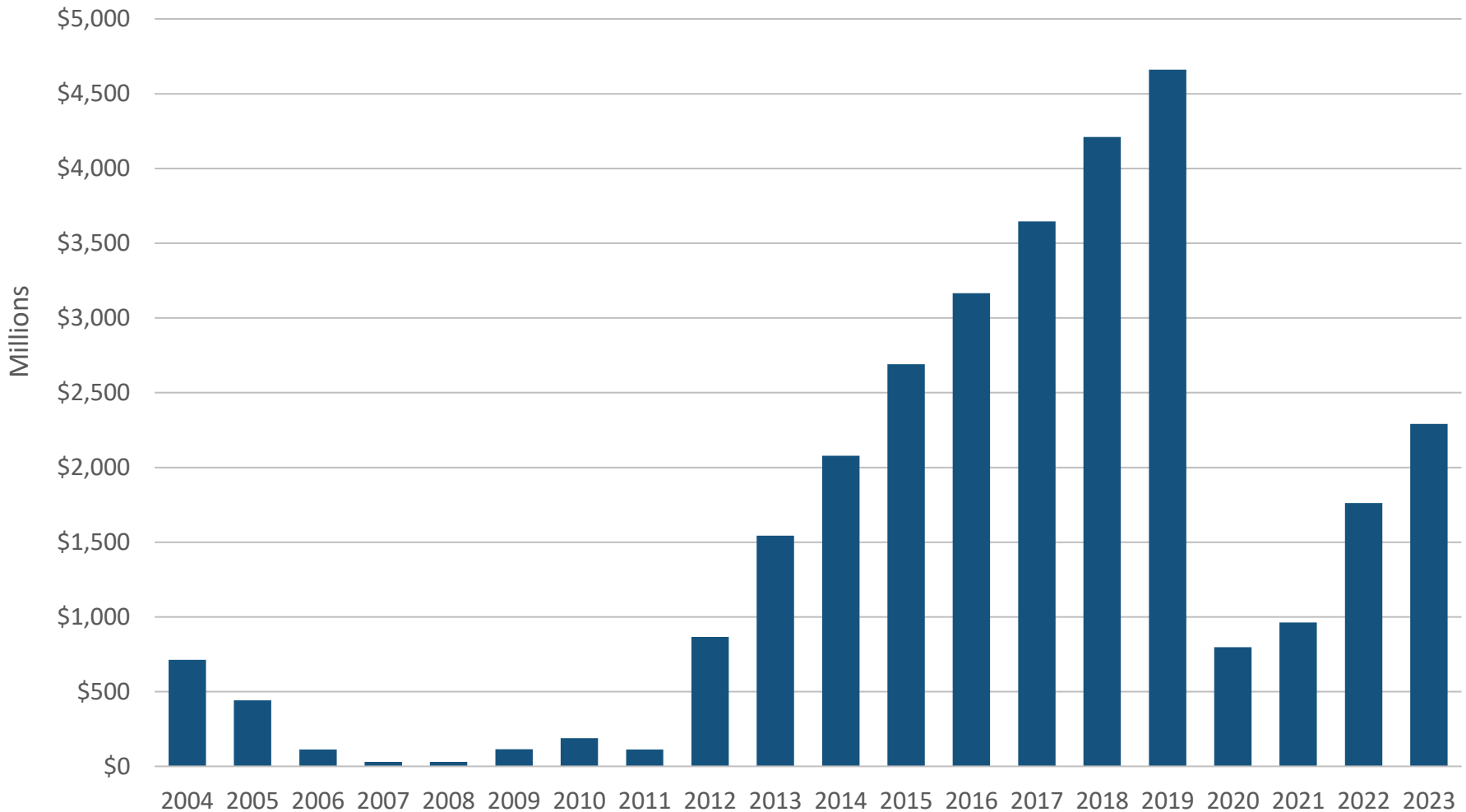
- Unemployment Insurance Agency (**\$297.4 million**)
  - Customer Service Division: Provides frontline contact points through the remote initial claims centers, problem resolution offices, and virtual problem resolution agents
  - Technology and Modernization: Covers technical environment UIA uses to 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; ensures 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**)

# Unemployment Insurance Trust Fund

- Funded through unemployment insurance taxes and reimbursements paid by employers into the fund. The employer tax rate can range from 0.06% to 10.3% on the first \$9,500 of each employee's wages based upon various factors
- The U.S. Treasury holds the individual unemployment insurance trust funds for each of the states and the U.S. Department of Labor monitors the solvency of each state's trust fund
- Unemployment benefits are paid out of the trust fund to covered employees who become unemployed through no fault of their own
- States have flexibility to set parameters on unemployment insurance benefits, including benefit amounts, duration, and eligibility
- Michigan maximum weekly benefit is \$362 and the state caps benefits at 20 weeks; during periods of high unemployment, workers may become eligible for an additional 13 weeks of benefits
- Additional information on the unemployment insurance trust fund can be found [here](#)

# Unemployment Trust Fund - Year End Balance History

Michigan borrowed from the federal government to finance unemployment benefits from 2007 to 2010. Michigan issued bonds totaling \$3.2 billion in 2012 to refinance outstanding UI trust fund debt. Decrease in 2020 due to the onset of the pandemic.



# Commissions

# Commissions

- Commission on Middle Eastern American Affairs (**\$210,000**)
- Asian Pacific American Affairs Commission (**\$222,400**)
- Hispanic/Latino Commission of Michigan (**\$294,200**)
- Michigan Women's Commission (**\$1.5 million**)
- Michigan Community Service Commission (**\$19.6 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

- Michigan State Housing Development Authority (**\$321.0 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
- State Land Bank Authority (**\$6.4 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
- Directed one-time grant programs (**\$768.6 million**)
  - Funds 8 major one-time grant programs that in total award 214 specific grant awards in the following areas: community enhancement, economic development, healthcare, housing, Michigan enhancement, public infrastructure, public safety, and workforce development

# For more information about the Labor and Economic Development budget:

## HFA Resources

[https://www.house.mi.gov/hfa/LaborandEconomicOpportunity.  
asp](https://www.house.mi.gov/hfa/LaborandEconomicOpportunity.asp)

## Contact Information

Viola Bay Wild

Senior Fiscal Analyst

[vwild@house.mi.gov](mailto:vwild@house.mi.gov)

(517) 373-8080