



# **Budget Briefing: Talent and Economic Development**

Ben Gielczyk, Senior Fiscal Analyst

January 2018

# Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics

# Department of Talent and Economic Development (DTED)

- Chief economic development, workforce development, and affordable housing department in state government; includes Unemployment Insurance Agency
- Chief Responsibilities
  - Job Creation/Retention
  - Workforce Development
  - Economic Development
  - Unemployment Insurance
  - Affordable Housing
  - Blight Remediation
- Autonomous Agencies include:
  - Michigan Economic Development Corporation (MEDC)
  - Michigan Strategic Fund (MSF)
  - Talent Investment Agency (TIA)
  - Michigan State Housing Development Authority (MSHDA)
  - Unemployment Insurance Agency (UIA)
  - Michigan Land Bank Fast Track Authority (MLBFTA)

# Key Budget Terms

**Fiscal Year:** The state's fiscal year (FY) runs from October to September. FY 2017-18 is October 1, 2017 through September 30, 2018.

**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.

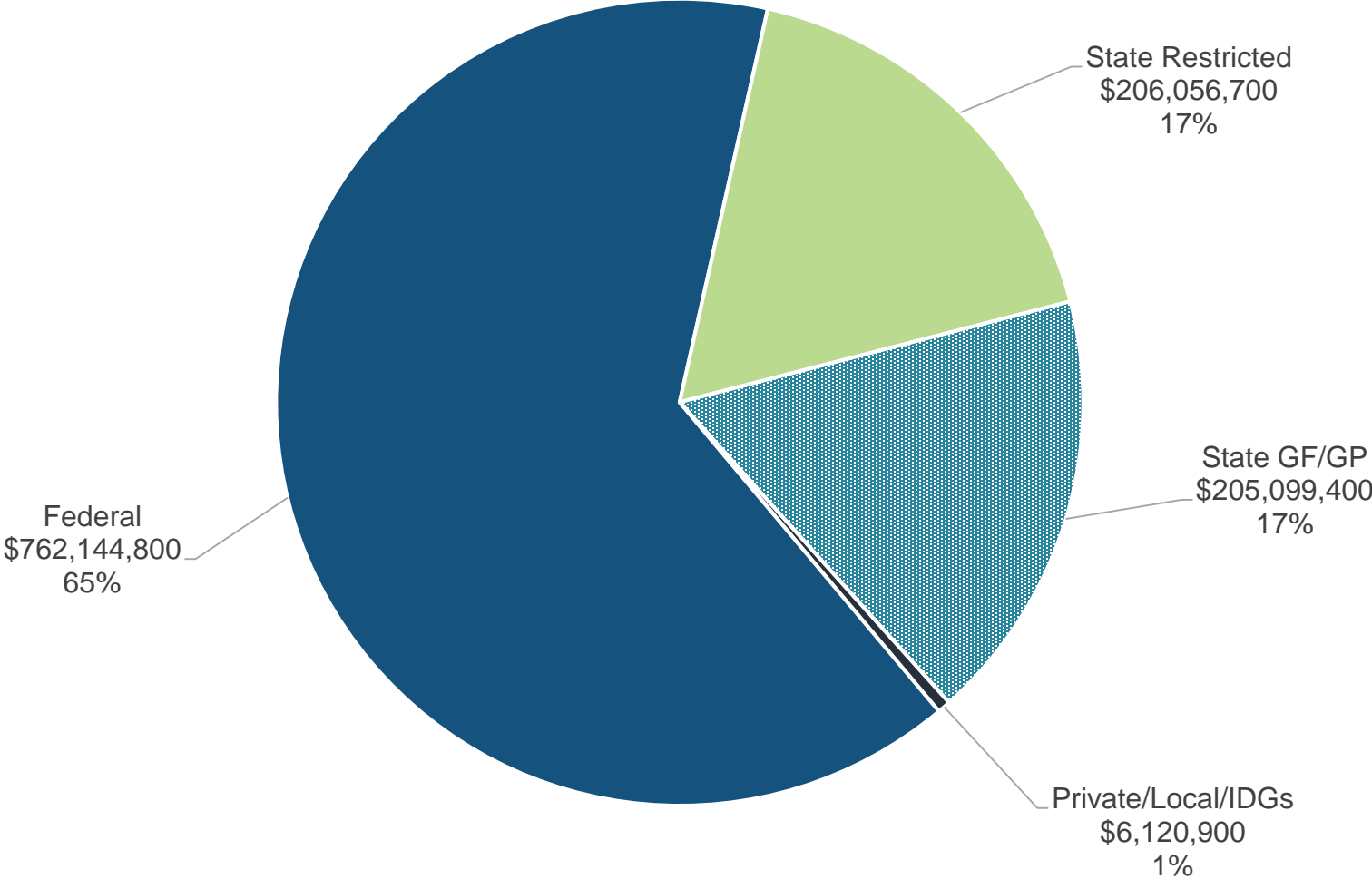
# Funding Sources

# FY 2017-18 DTED Budget

Fund Source	Funding	Description
Gross Appropriations	\$1,179,421,800	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	\$1,179,421,800	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	762,144,800	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	500,000	Revenue received from local units of government for state services
Private Revenue	5,620,900	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	206,056,700	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	\$205,099,400	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

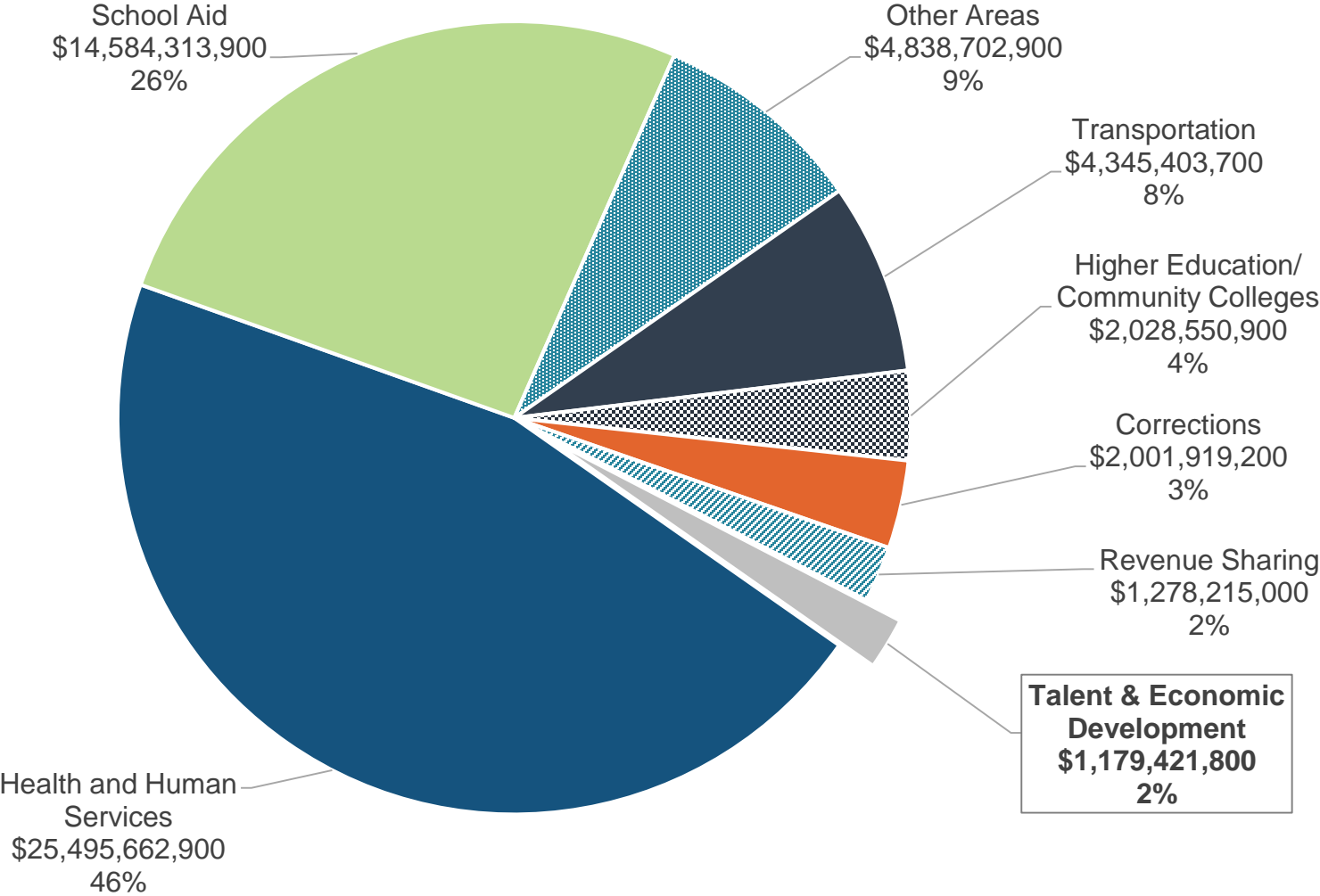
# FY 2017-18 Fund Sources

Approximately 65% of the **\$1.2 billion** DTED budget is funded by federal revenue, including Workforce Investment Act funds, Unemployment Insurance, and Community Development Block Grants, and other Department of Labor and Education funds.



# DTED Share of Total State Budget

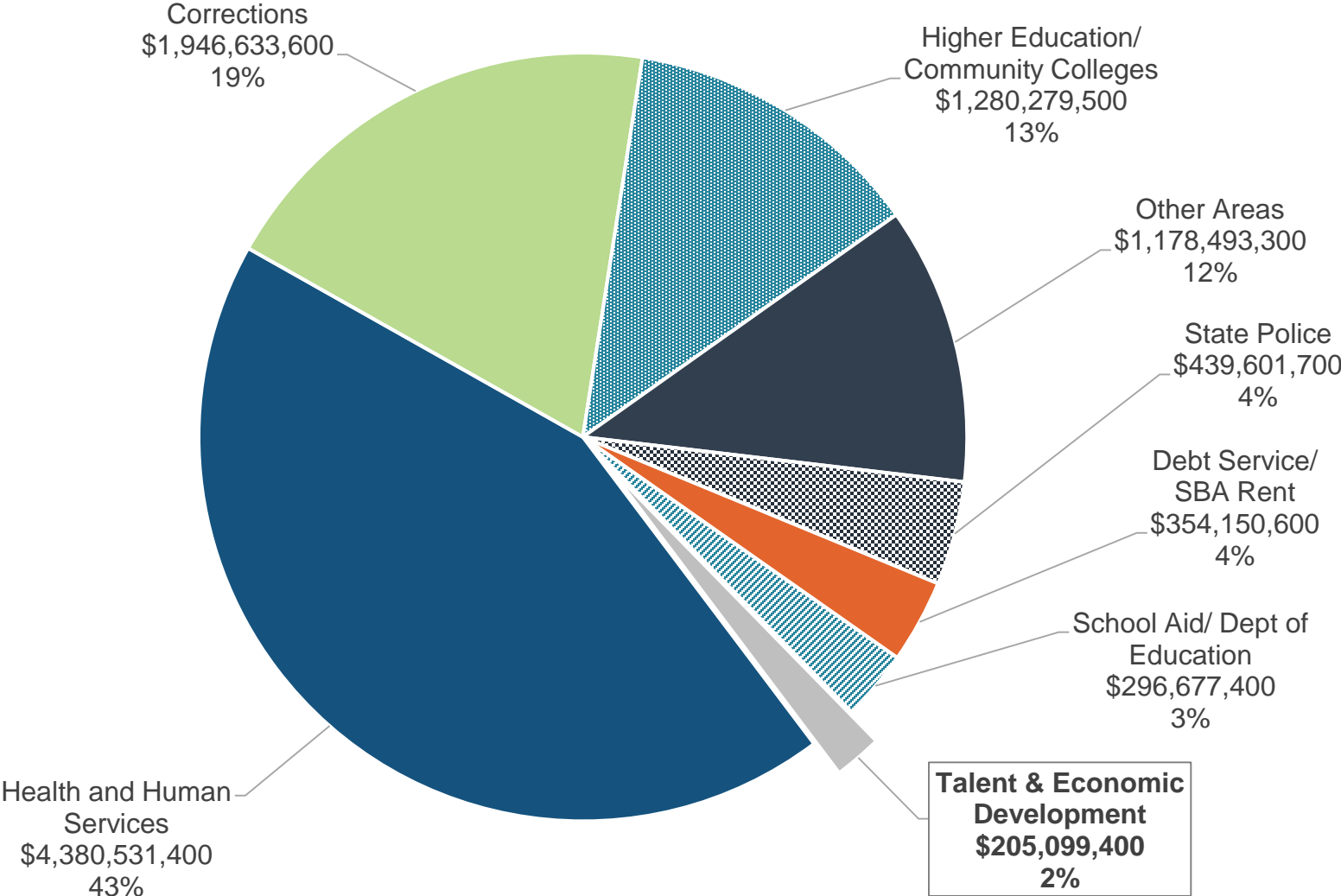
The DTED budget represents 2% of the \$55.8 billion state budget (adjusted gross) for FY 2017-18.





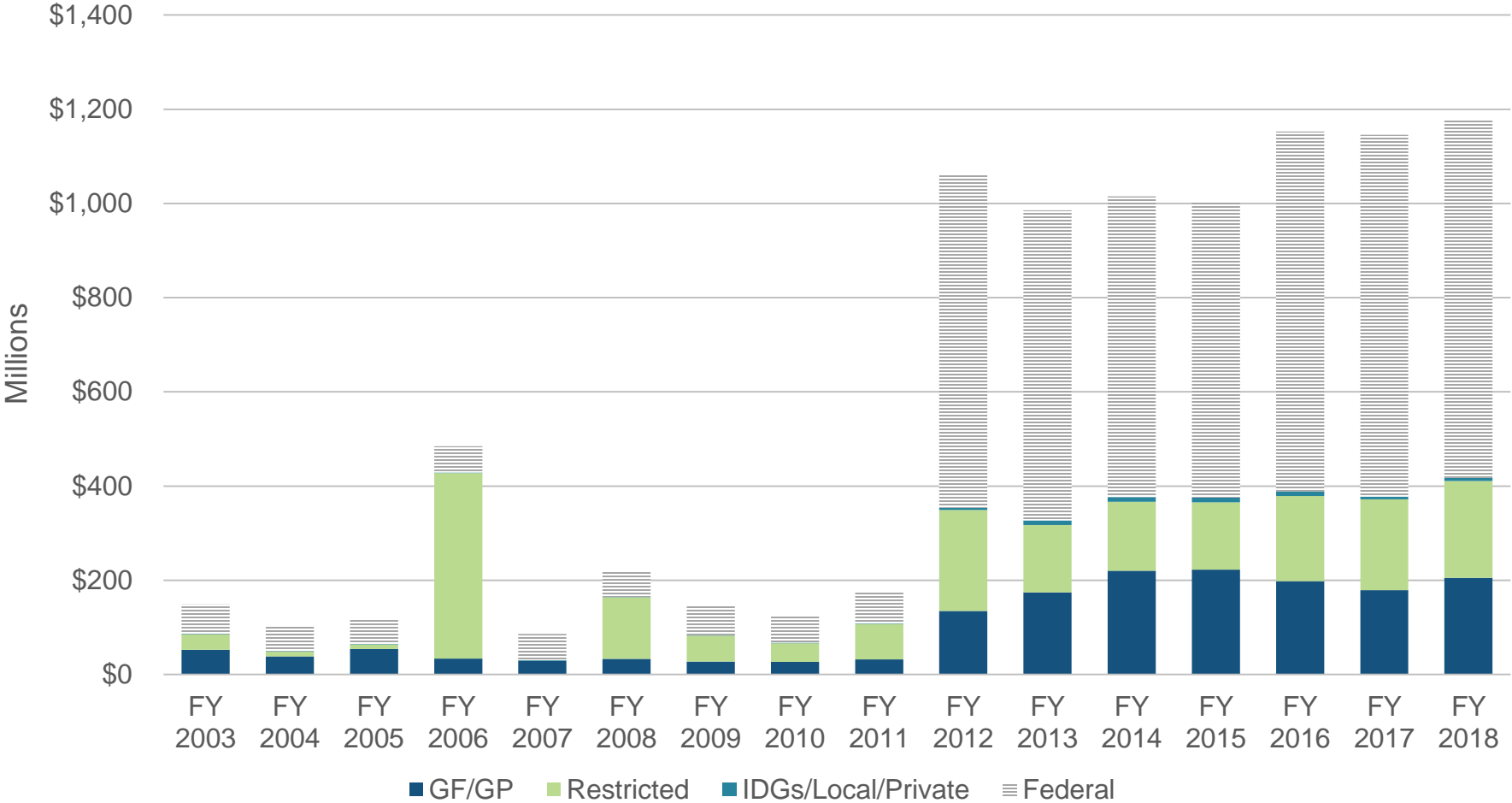
# DTED Share of Total GF/GP Budget

The DTED budget also represents 2% of the state's \$10.1 billion GF/GP budget for FY 2017-18.



# DTED Funding History

Funding for Talent and Economic Development has grown by 791.1% since FY 2002-03, 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.



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

# Appropriation Areas

# DTED Appropriation Areas

**Departmental Administration:** Provides funding for Director, Deputy Directors, TIA Director, MSHDA Director, and corresponding executive office administration

**Michigan Strategic Fund:** 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; Pure Michigan; community college skilled trades equipment program debt services; and Facility for Rare Isotope Beams debt service

**Talent Investment Agency:** Supports programs that address the gap between employee needs and worker skill levels; focuses on job preparedness, career-based education, worker training, employment assistance, and unemployment insurance

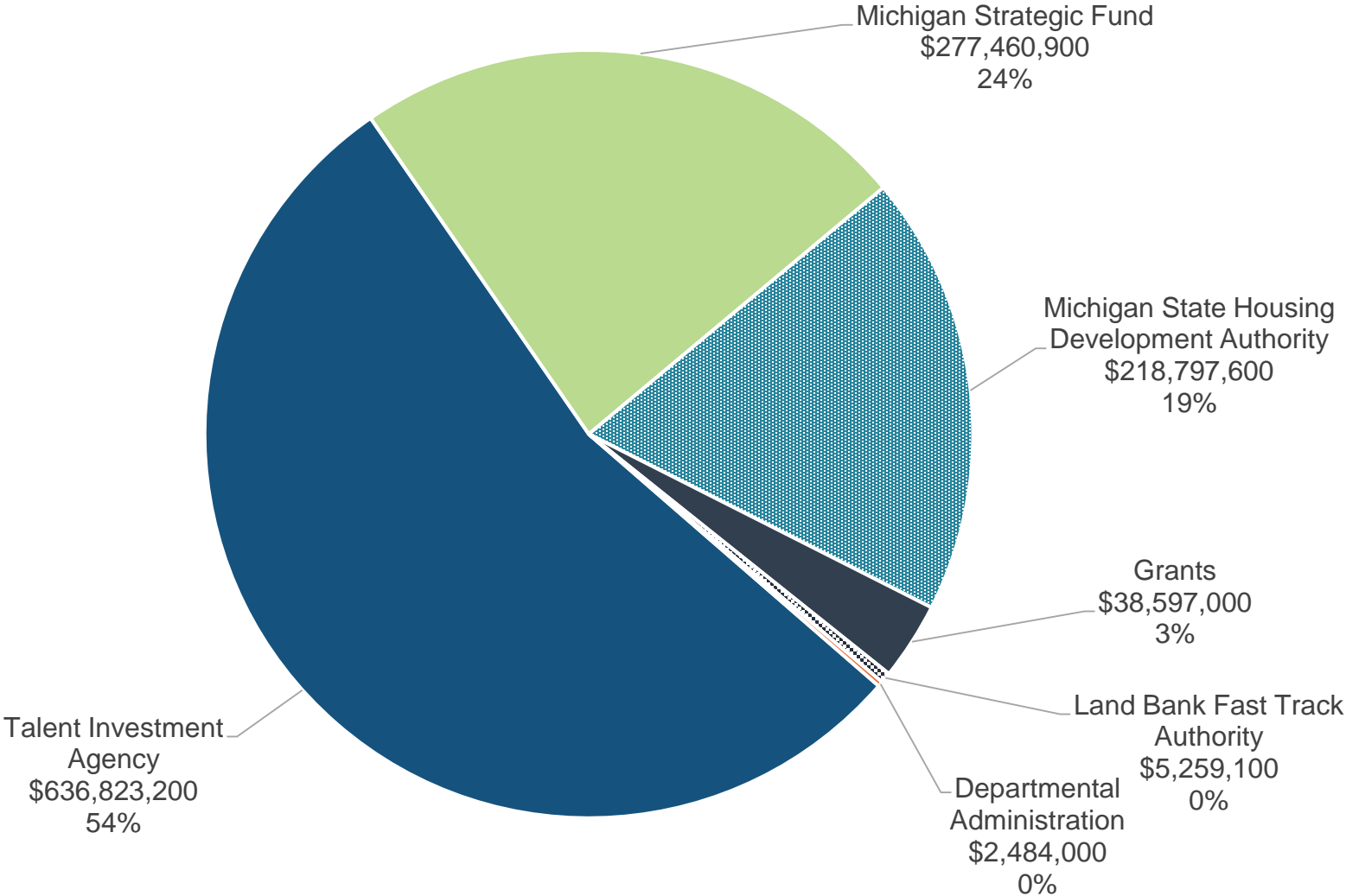
**Land Bank Fast Track Authority:** Promotes economic growth in Michigan through acquisition, assembly, and disposal of public property, including tax reverted property, in a coordinated manner to foster the development of that property

**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

**Other Programs:** Special grants; Statewide data system integration; Protect and Grow

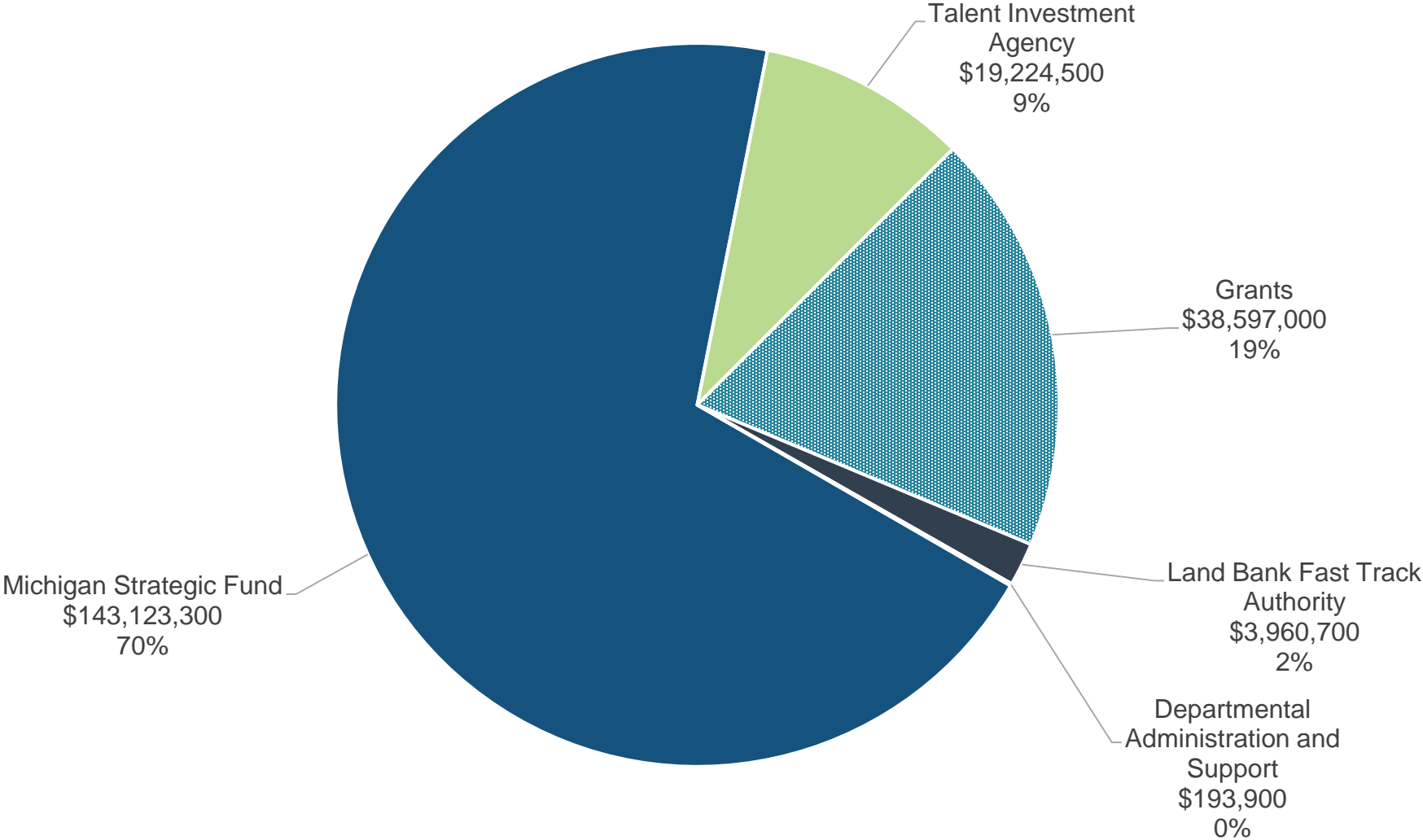
# FY 2017-18 Gross Appropriations

Approximately 54% of the \$1.2 billion DTED budget supports the Talent Investment Agency, including the Workforce Development Agency and the Unemployment Insurance Agency.



# FY 2017-18 GF/GP Appropriations

GF/GP funds (totaling **\$205.1 million**) are most heavily concentrated in the Michigan Strategic Fund business and community development programs.



# Major Budget Topics

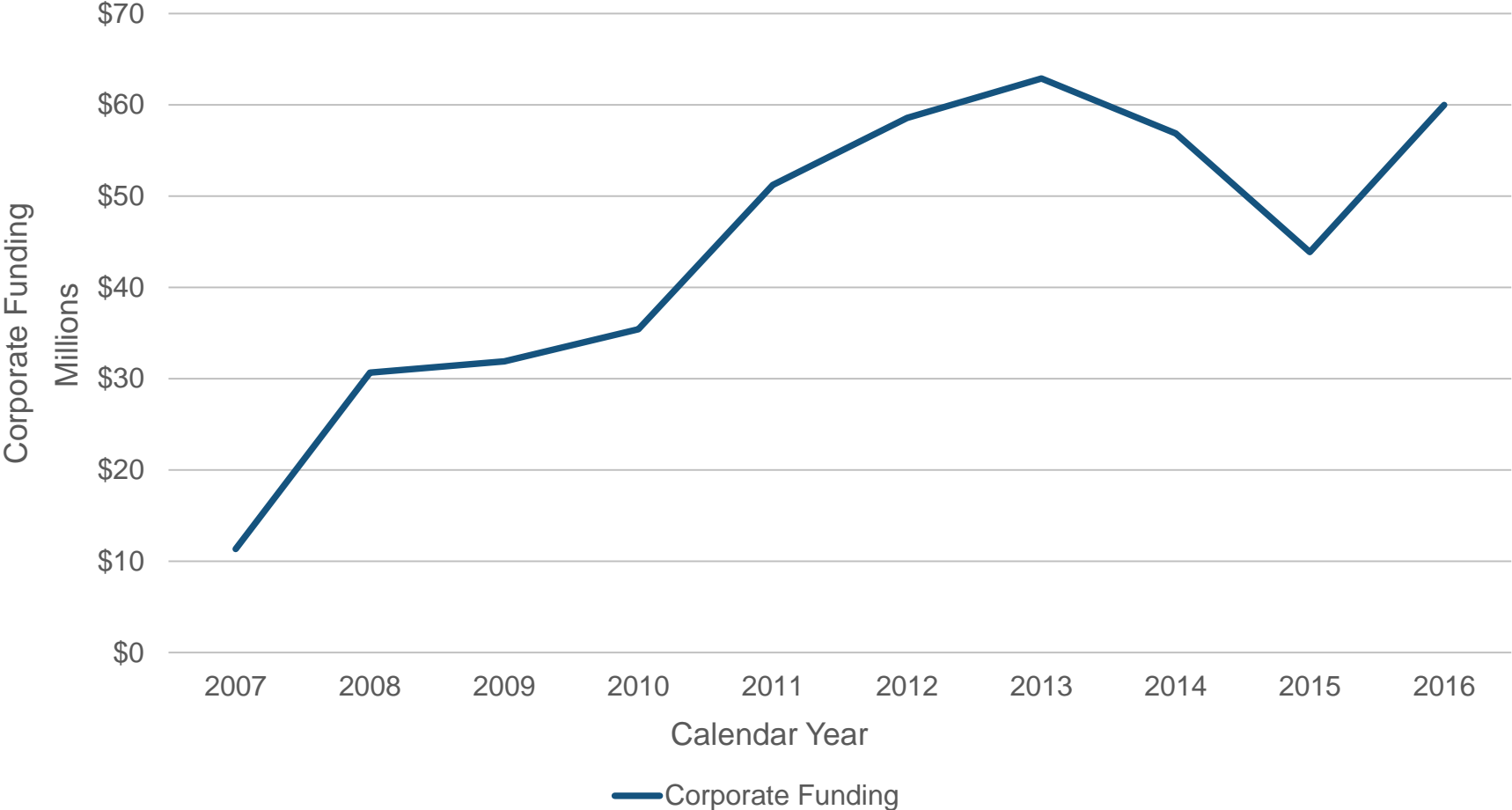
# Corporate Funding

- In FY 2016-17, 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)
  - Tribal casino revenue is not subject to legislative appropriation. Expenditure of funds is determined by MEDC Board
  - Casino revenue (corporate funding) totaled \$60.0 million in calendar year 2016 (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 annually for a \$3-5 million annual impact
  - Gun Lake Tribe began withholding payments in FY 2014-15 due to iLottery introduction which had an annual impact of approximately \$13 million in reduced corporate revenues. A recent settlement will allow MEDC to receive approximately 50% of what it would have received prior to iLottery, or about \$7.0 million. MEDC will also receive 50% of the funds withheld since FY 2014-15, or \$9.8 million.
- Corporate funds are used to both support non-state supported economic development programs and supplement state-supported economic development programs. Over half of MEDC employees are supported with corporate funds.



# History of Corporate Funding

Corporate funds are not subject to appropriation by the legislature and flow directly to the MEDC/MSF. 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 Tribe increased revenues in 2016.



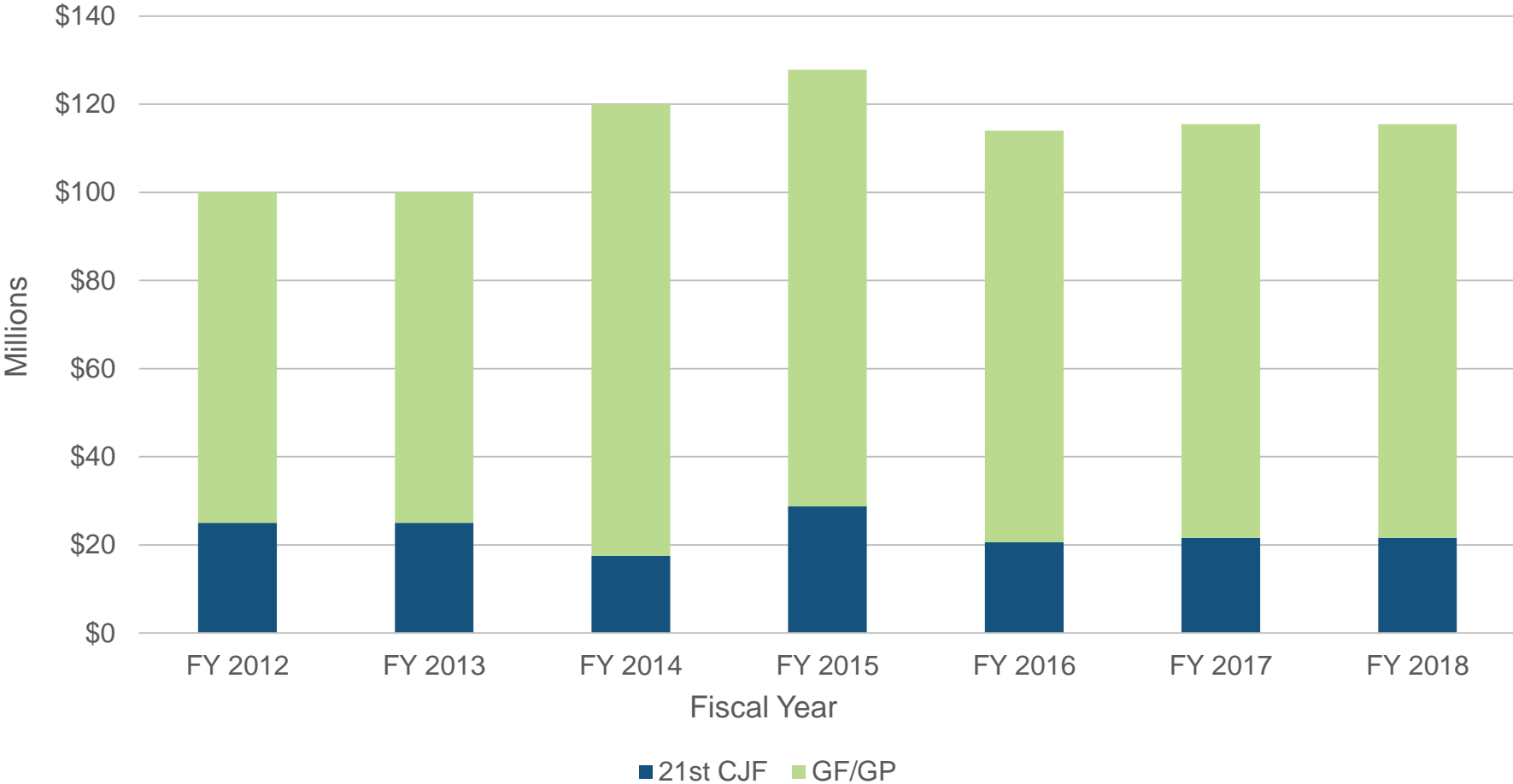
# Business Attraction and Community Revitalization

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 PA 250 of 2011). 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 PA 251 of 2011). Replaced Brownfield and Historic Preservation tax credits that were eliminated in FY 2012. Boilerplate requires a minimum of \$30.0 million 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 has been fairly static over the past few years.

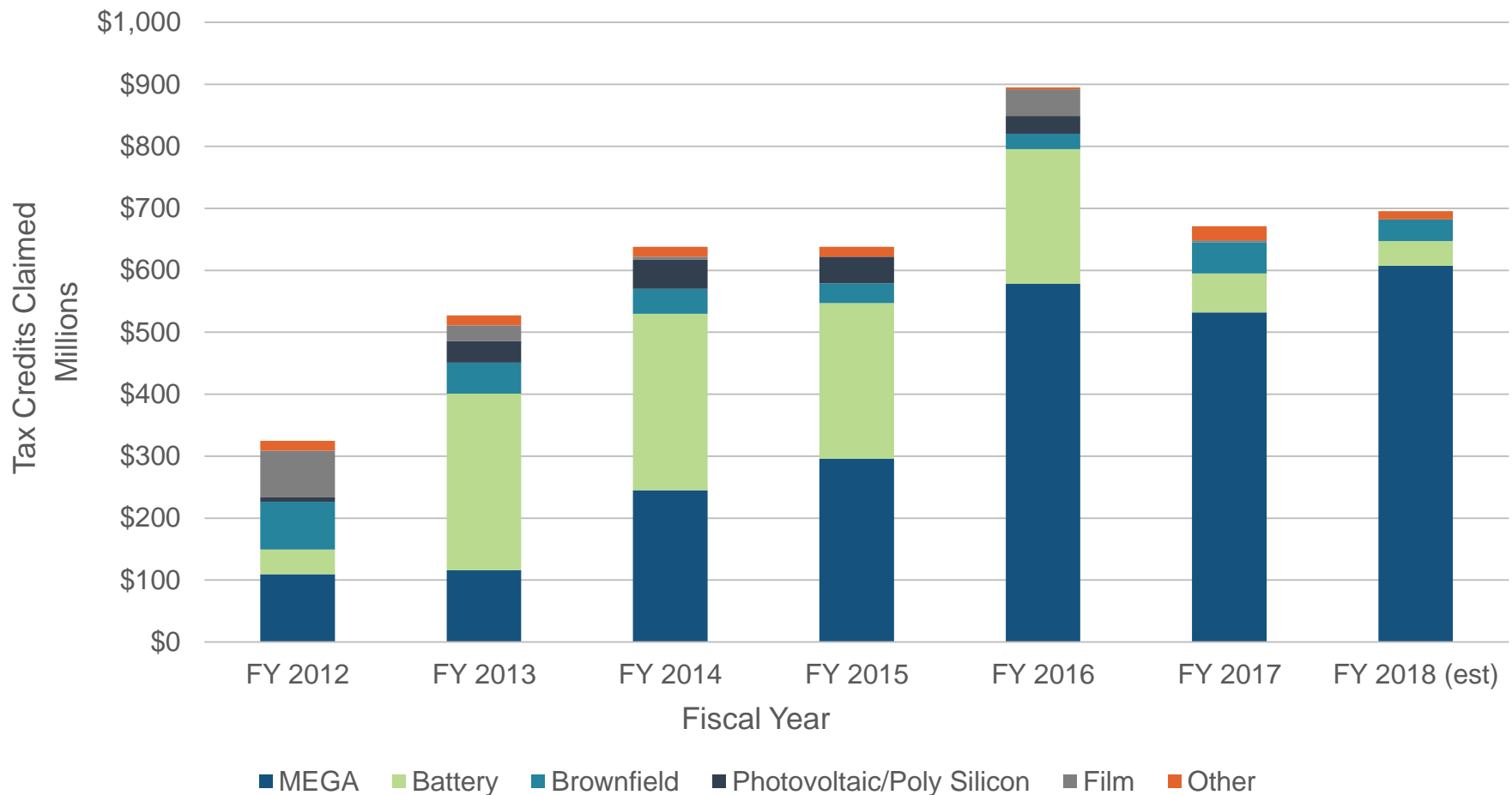


# Michigan Business Tax Certificated Credits

- Michigan Economic Growth Authority Tax Credits (MEGA)
  - Established in PA 24 of 1995 as a response to 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](#).

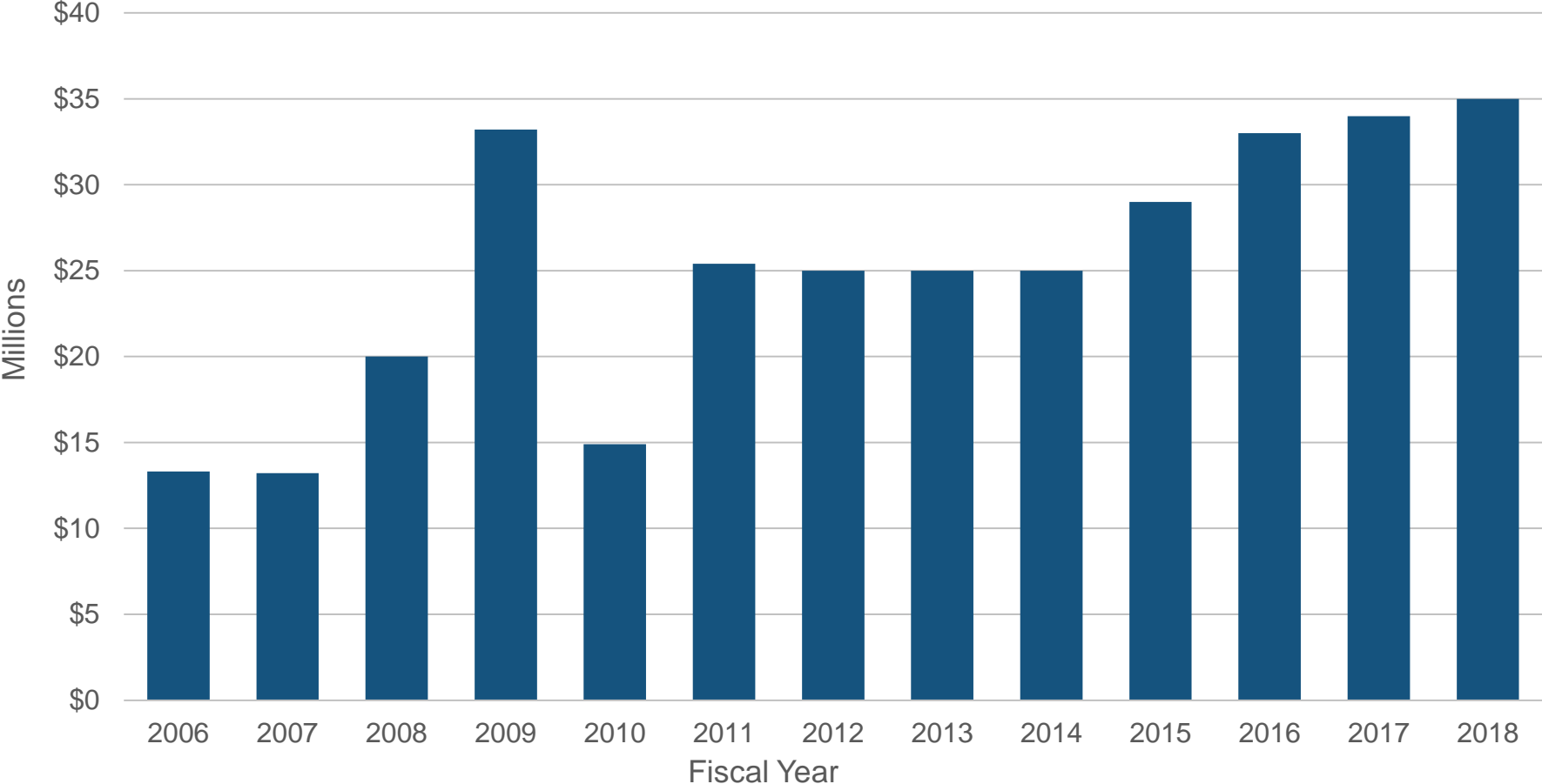
# Michigan Business Tax Certificated Credits - Claimed

Summary of Michigan Business Tax (MBT) Certificated Tax Credits claimed since FY 2011-12. 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. Battery credits claimed have dropped significantly as outstanding credits are exhausted.



# Pure Michigan Funding

Funding for Pure Michigan has received increased legislative support which has led to the recent increases in funding for Pure Michigan. In recent years, Michigan has ranked in the top 10 for spending on tourism promotion. Michigan continues to expand expenditures on the Pure Michigan tourism campaign.

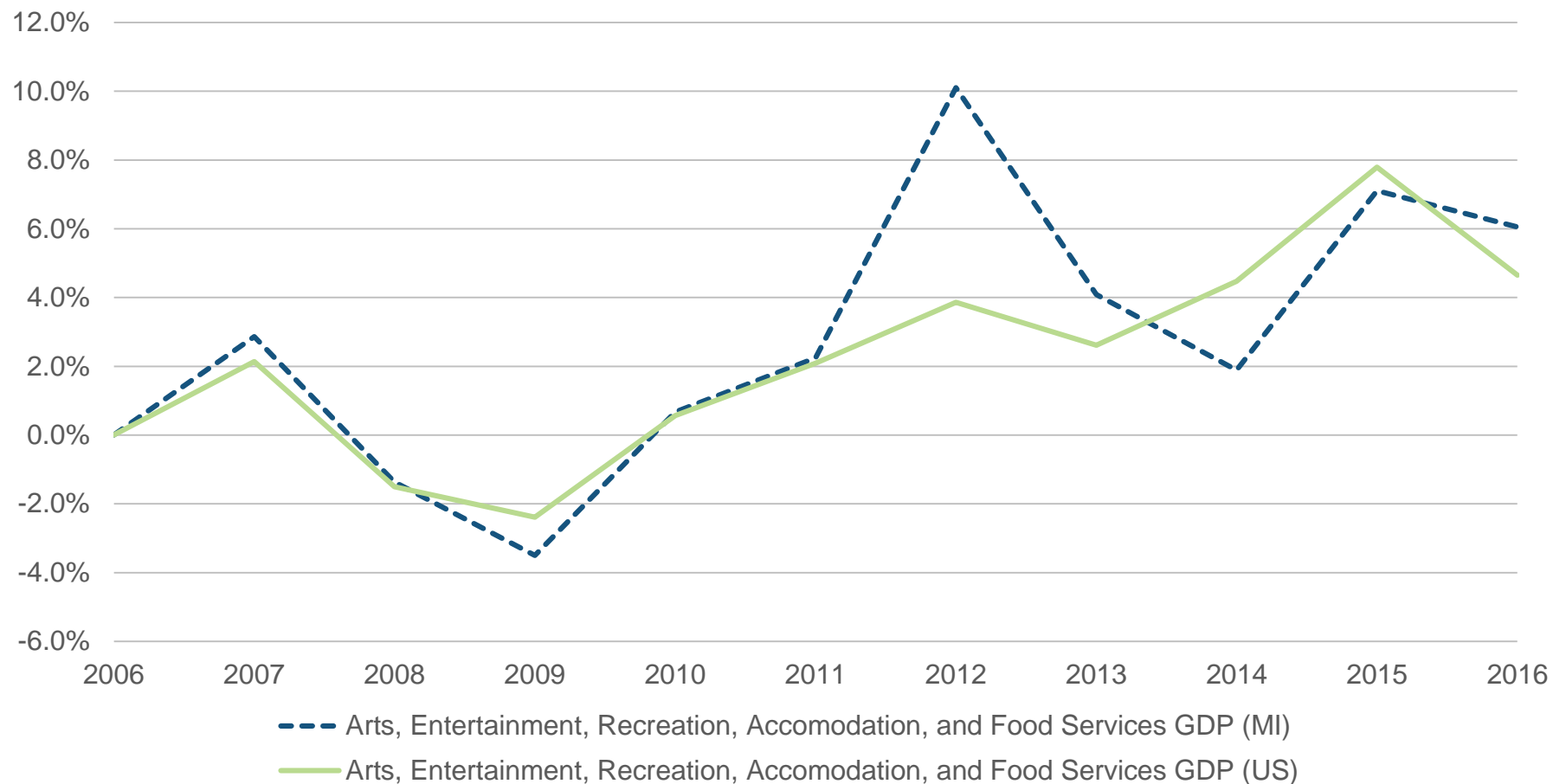


Note: In FYs 2007-08 and 2008-09 a total of \$37.5 million was received from the refunding and refinancing of tobacco settlement bonds for tourism promotion. The MSF Board allocated \$10.0 million in FY 2007-08 and \$27.5 million in FY 2008-09.

# Tourism Economy Trends

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

**Annual Percentage Change – 2006-2016**



Sources: Bureau of Economic Analysis

# Skilled Trades Training Program - TIA

FY 2016-17 Spending Plan for Skilled Trades Training Program Funds (Total: \$30.9 million). While no spending plan has been issued for FY 2017-18, total program appropriations were increased to \$41.9 million (reflects a \$11.0 million increase).

Program	FY 2017 Amount
Skilled Trades Training Program Grants	\$17,324,700
At-Risk Youth ("Jobs for Grads" drop out prevention program)	2,100,000
MAT2 Michigan Advanced Technician Training Program	1,800,000
Re-employment Opportunity for Unemployed	750,000
New Americans	200,000
American Lightweight Materials Manufacturing Innovation Institute – Grant Match	2,000,000
Institute for Advanced Composites Manufacturing Innovation – Grant Match	3,000,000
Program Administrative Expenses	1,425,300
Marketing – Going Pro Campaign	2,300,000
<b>FY 2017 TOTAL</b>	<b>\$30,900,000</b>



# Skilled Trades Training Program Grants

- FY 2016-17 Funding: \$17.3 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 2016-17 (last full year available)
  - Individuals to be hired/trained: 2,673 (Target: 2,650)
  - Current employees to be trained: 9,086 (Target: 8,000)
  - Training Completion Rate: 97% (Target: 80%)
  - Employment Retention Rate at 6 months: 90% (Target: 80%)
  - Hourly Wage at six months: \$22.63 (Target: \$15.95)
  - Number of Participating Companies: 445
  - Average Cost of Training Per Participant: \$1,114

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

## HFA Resources

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

## Contact Information

Ben Gielczyk

Senior Fiscal Analyst

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

(517) 373-8080