



# 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

- The Department of Labor and Economic Opportunity (LEO) was created through Executive Order 2019-13, which renamed the former Department of Talent and Economic Development and transferred numerous functions into LEO. Additional entities have also been transferred into LEO under subsequent executive actions.
- LEO serves as the state's primary economic and community development, workforce development, and affordable housing department.
- Major units within LEO include the following:
  - 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.

# Key Budget Terms

**Fiscal Year:** The state's fiscal year (FY) runs from October to September. FY 2024-25 is October 1, 2024 through September 30, 2025.

**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.

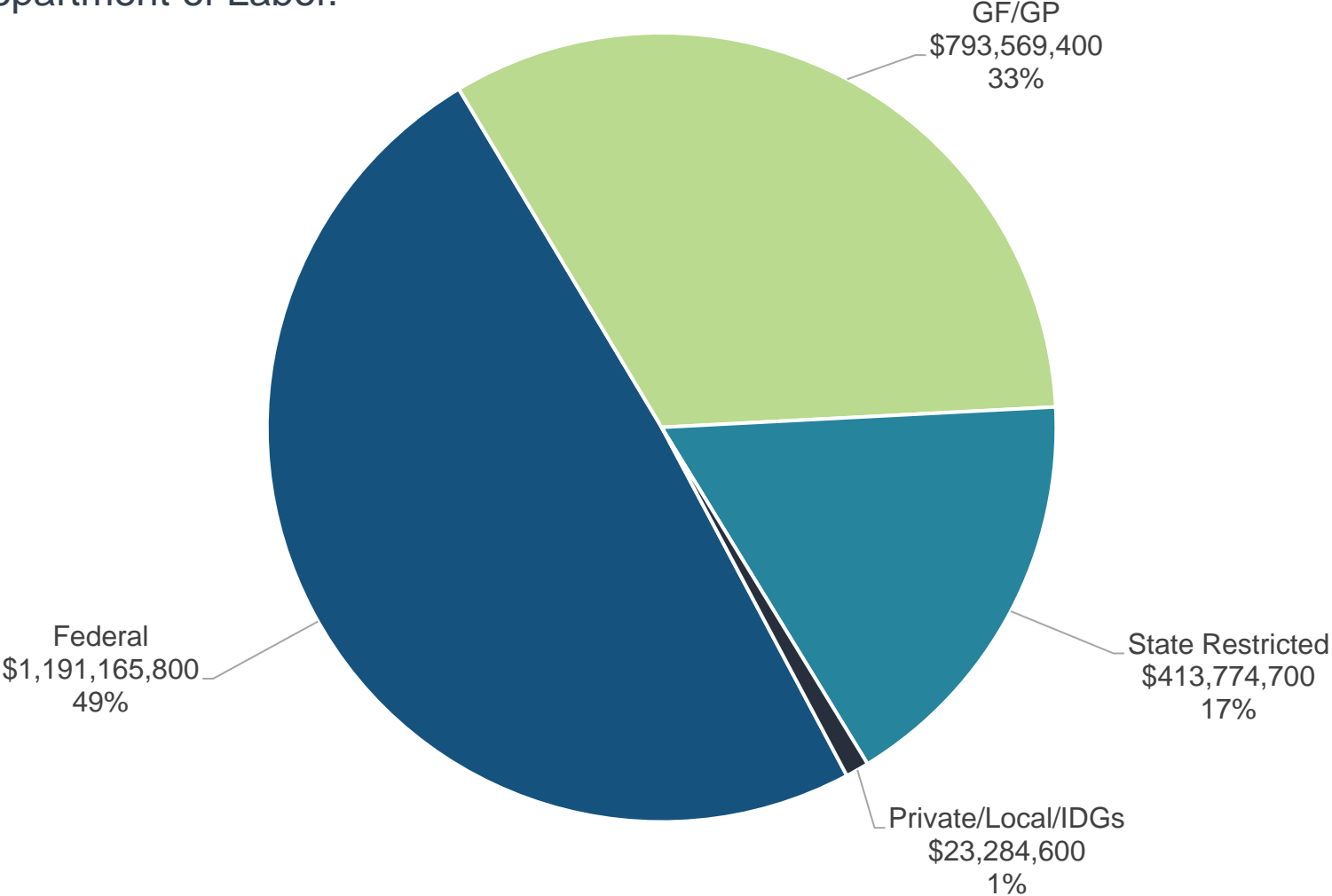
# Funding Sources

# FY 2024-25 Labor and Economic Opportunity Budget

Fund Source	Funding	Description
Gross Appropriations	\$2,421,794,500	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	\$2,421,794,500	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,191,165,800	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	12,584,600	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	413,774,700	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	\$793,569,400	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

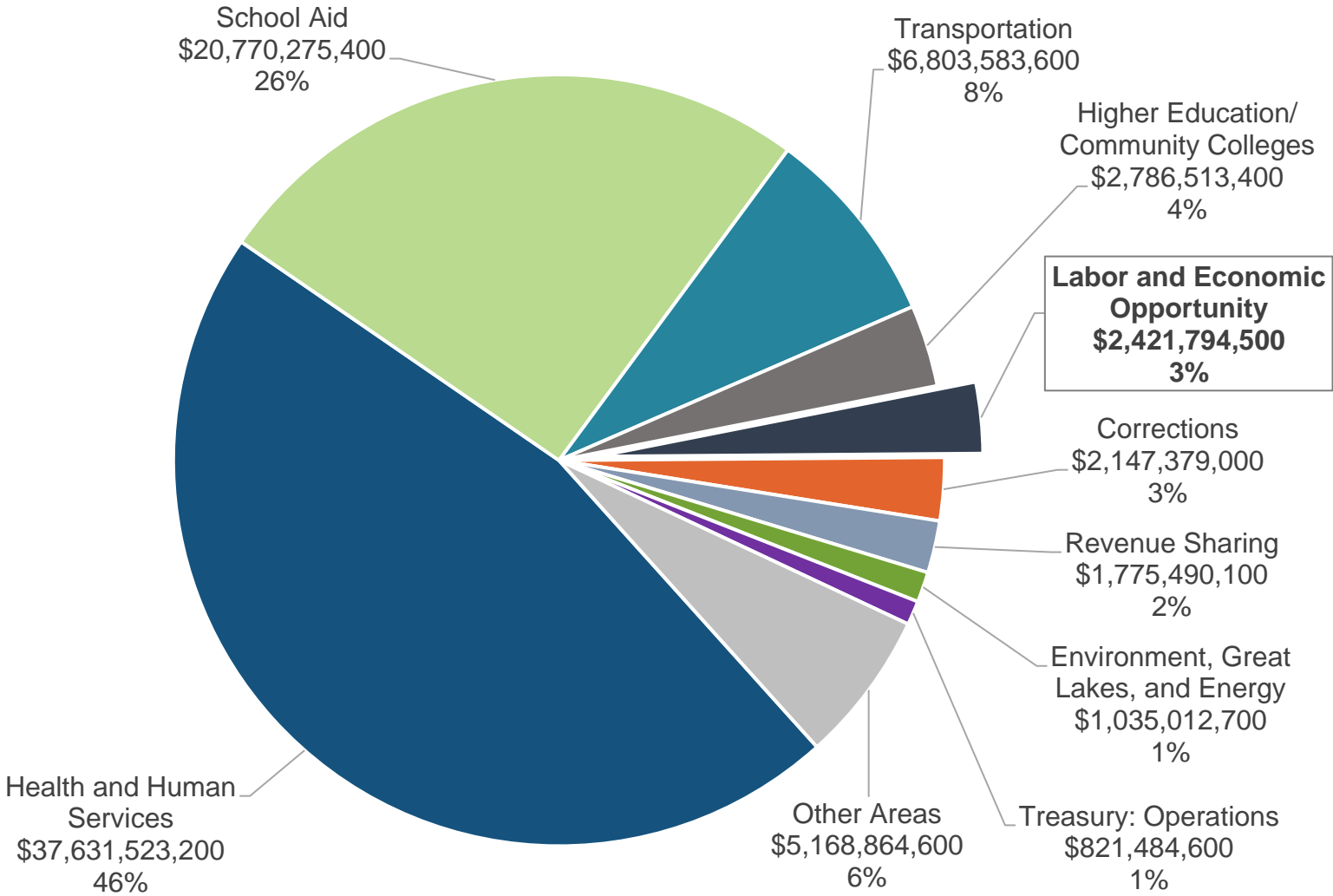
# FY 2024-25 Fund Sources

Approximately **49%** of the **\$2.4 billion** LEO budget is funded by federal revenue, with significant amounts received from the U.S. Department of Education, U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, and U.S. Department of Labor.



# LEO Share of Total State Budget

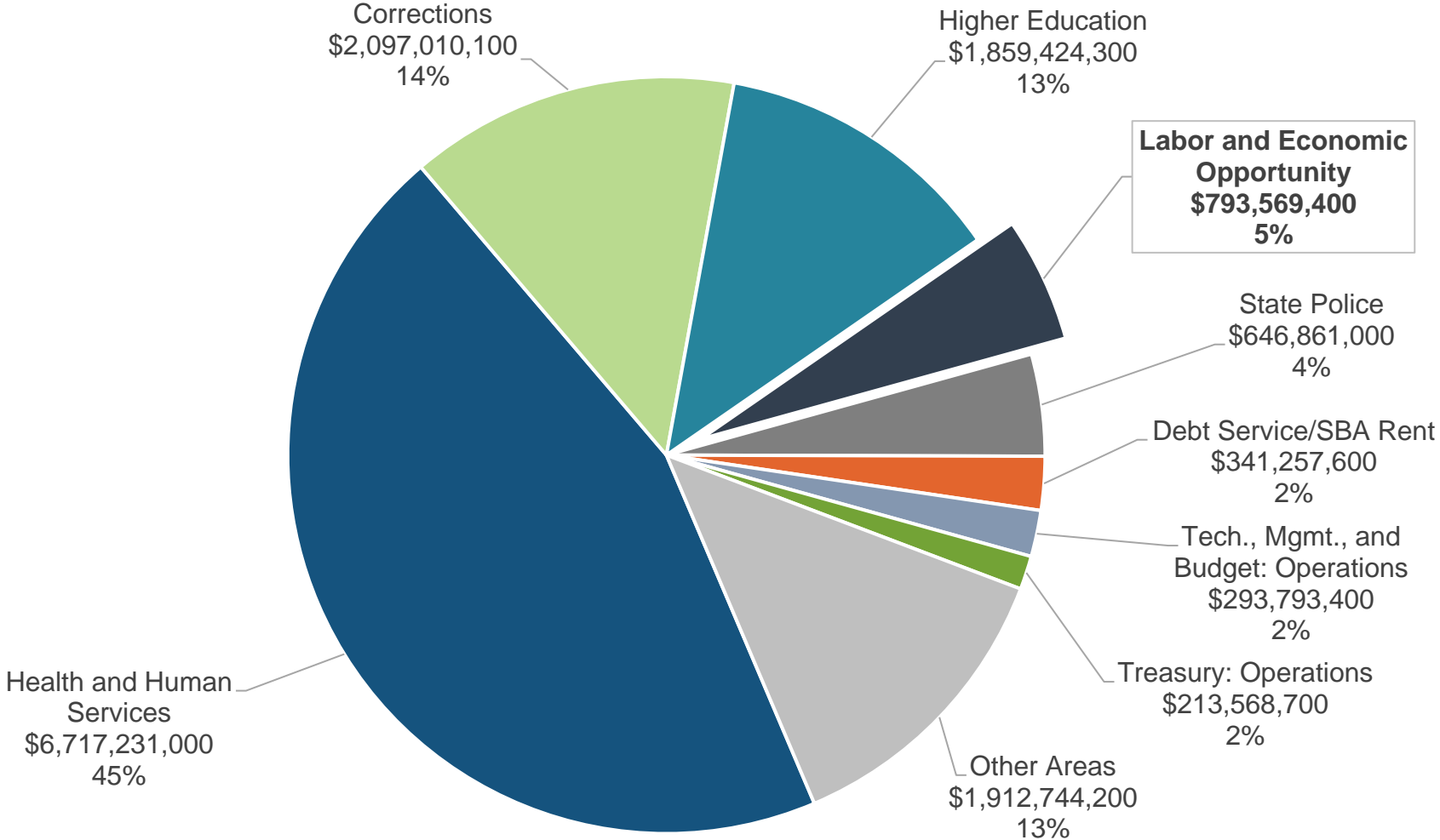
The LEO budget represents approximately 3% of the \$81.4 billion state budget (adjusted gross) for FY 2024-25.





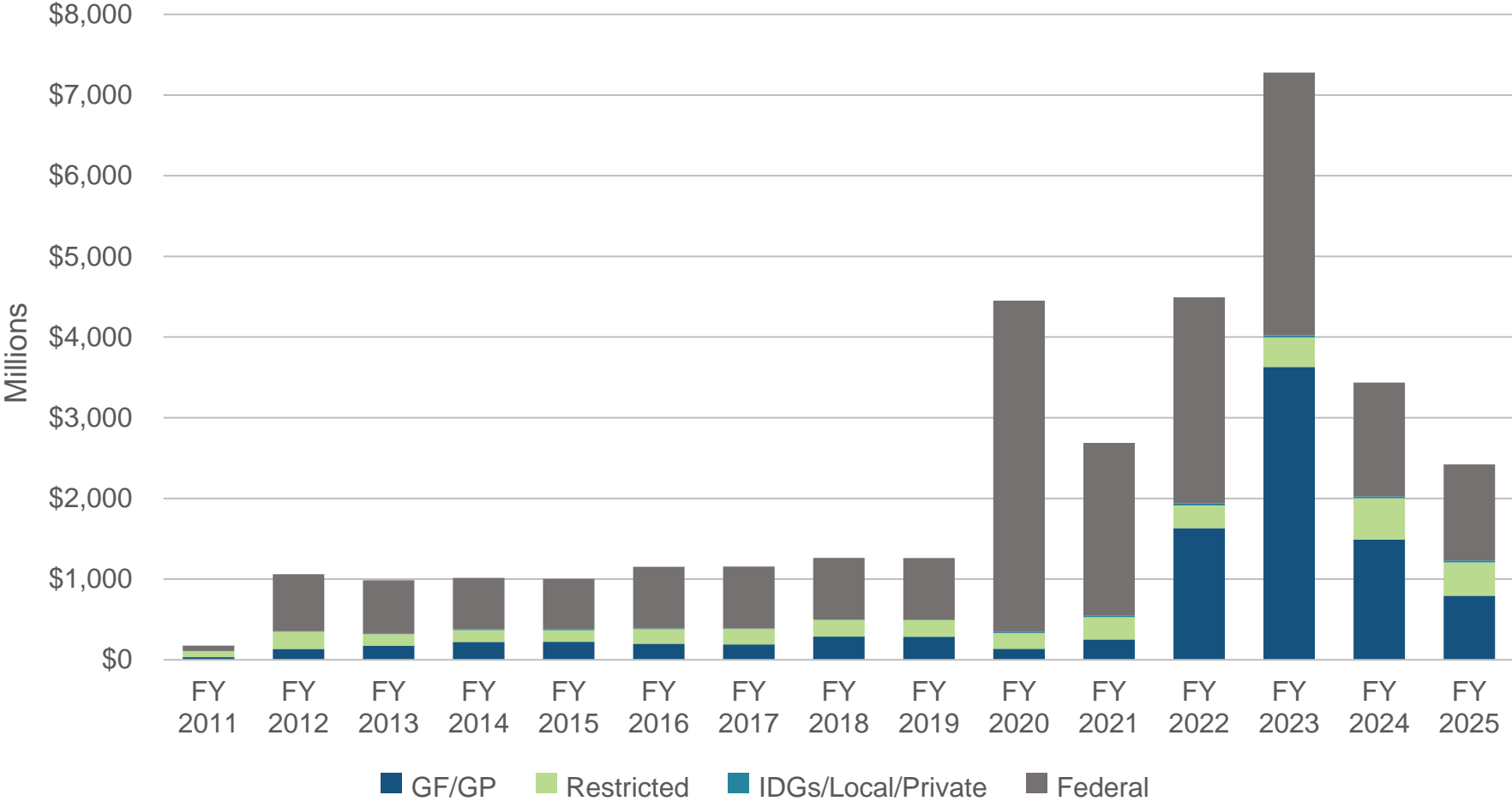
# LEO Share of Total GF/GP Budget

The LEO budget represents approximately 5% of the \$14.9 billion state GF/GP budget appropriations for FY 2024-25.



# LEO Funding History

Funding for LEO, has grown by **1,282%** since FY 2010-11, 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. Increases in FY 2019-20 through FY 2022-23 are 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

Major spending areas in LEO include the following:

- **Workforce Development:** Supports programs that address the gap between employer 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
- **Employment Services:** Supports programs related to labor and employee conditions, including the Workers' Disability Compensation Agency, Bureau of Employment Relations, Michigan Occupational Safety and Health Administration, Office of Global Michigan, and Wage and Hour Program
- **Unemployment Insurance Agency (UIA):** Supports the Unemployment Insurance Agency and associated programs
- **Commissions:** Supports the three ethnic affairs commissions, the Michigan Community Service Commission, and the Michigan Women's Commission

# LEO Appropriation Areas (cont.)

**Michigan Economic Development Corporation (MEDC)/Michigan Strategic Fund (MSF):** 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, Business Development Program, Community Revitalization Program, Pure Michigan, and Revitalization and Placemaking Program, among others

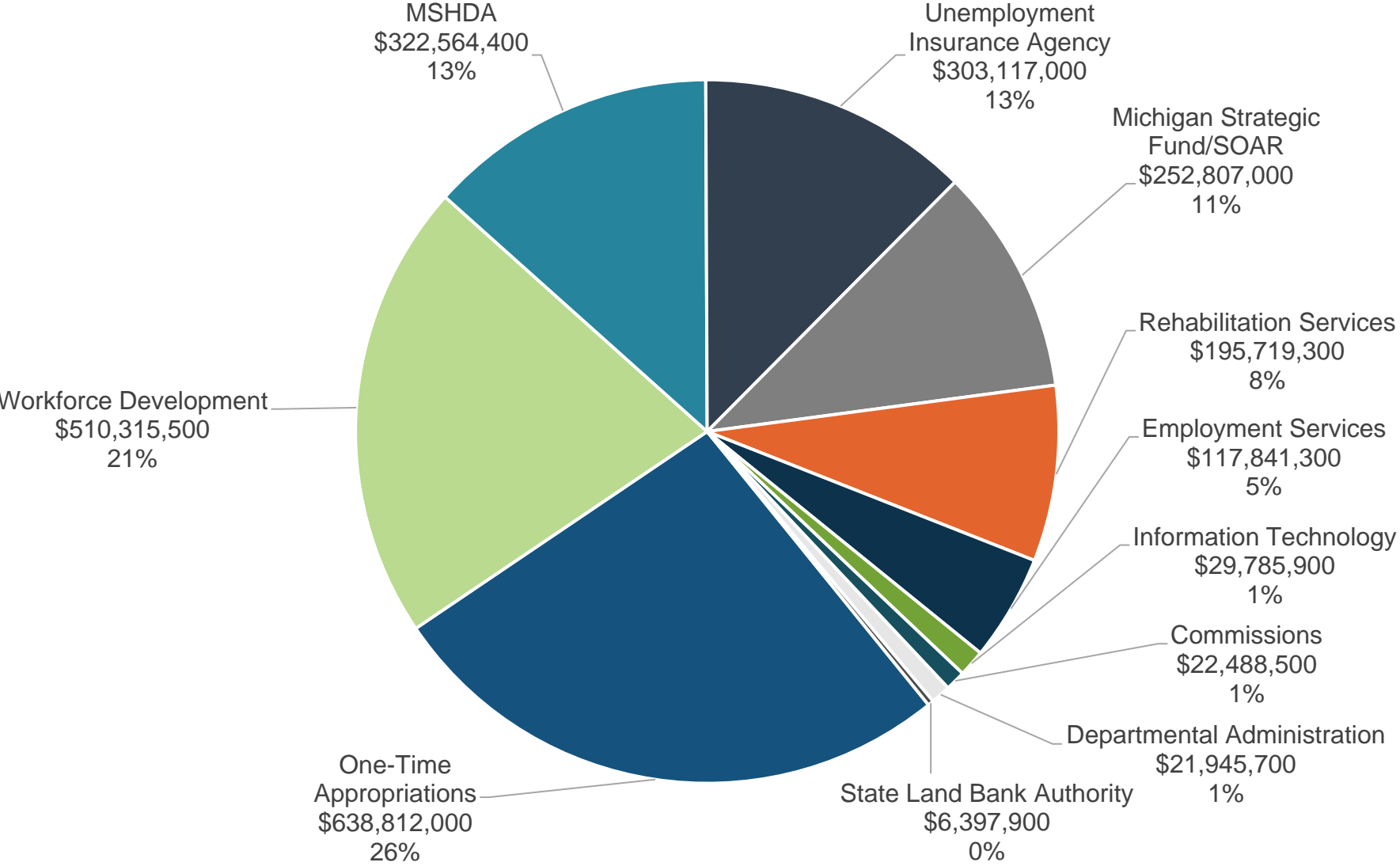
**Michigan State Housing Development Authority (MSHDA):** Supports MSHDA and programs to improve the supply of safe and affordable housing for low- and moderate-income Michigan residents

**State Land Bank Authority (SLBA):** Supports the SLBA, which promotes economic growth in Michigan through acquisition, assembly, and disposal of public property, including tax reverted property, in a coordinated manner to foster property development

**One-Time Appropriations:** Includes one-time appropriations for 60 different programs/grants, including Community Enhancement Grants, Community Museum Grants, Healthcare Grants, numerous housing programs, Infrastructure Grants, Michigan Innovation Fund, Minority-Owned Business Support, Public Safety Grants, Pure Michigan, and Talent and Growth

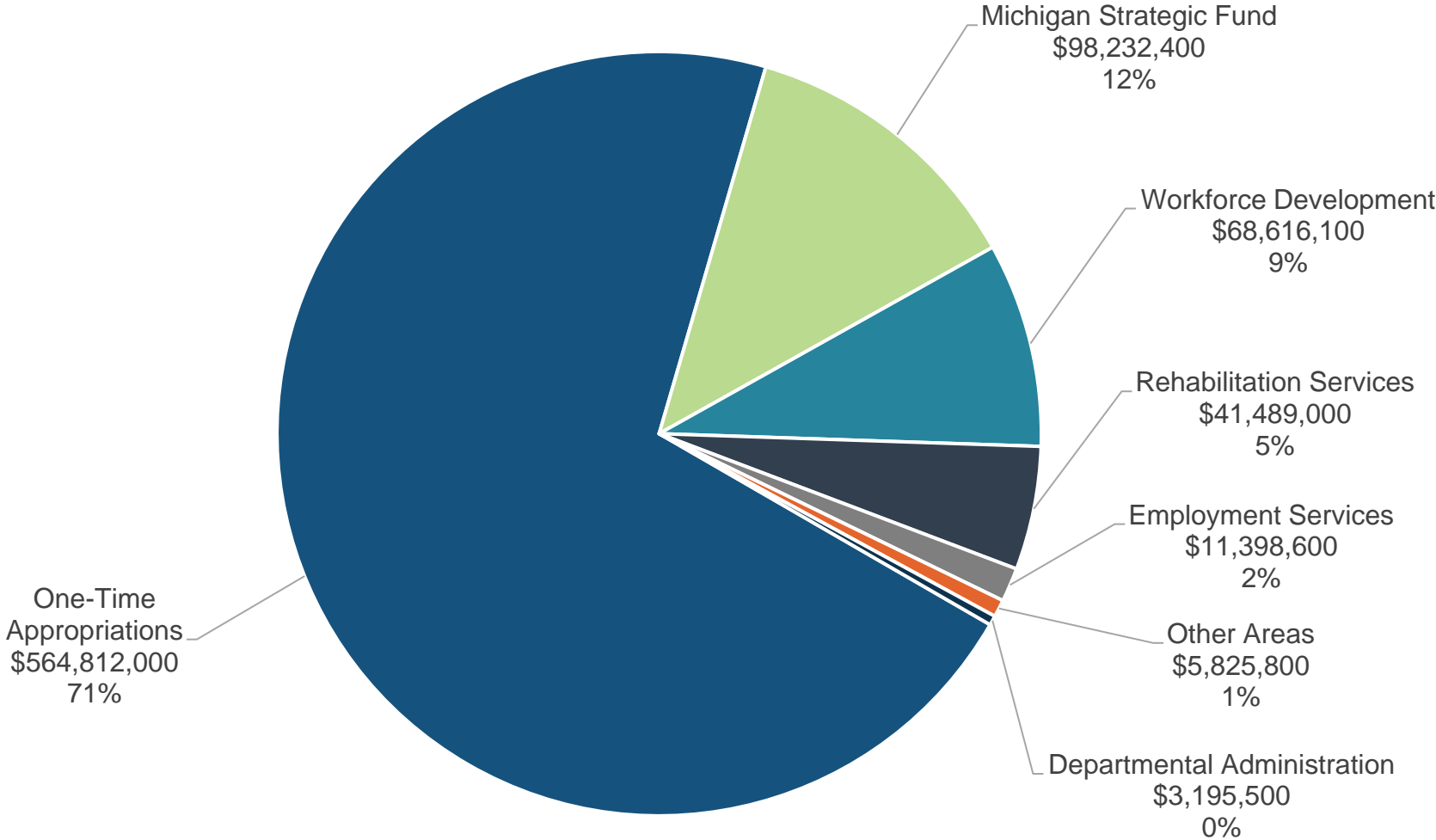
# FY 2024-25 Gross Appropriations

Approximately **26%** of the **\$2.4 billion** LEO budget supports one-time appropriations, which include 60 distinct grants/programs.



# FY 2024-25 GF/GP Appropriations

Approximately 71% of LEO GF/GP funds (totaling \$793.6 million) support one-time appropriations, providing funding for 58 separate programs.



# Major Budget Topics



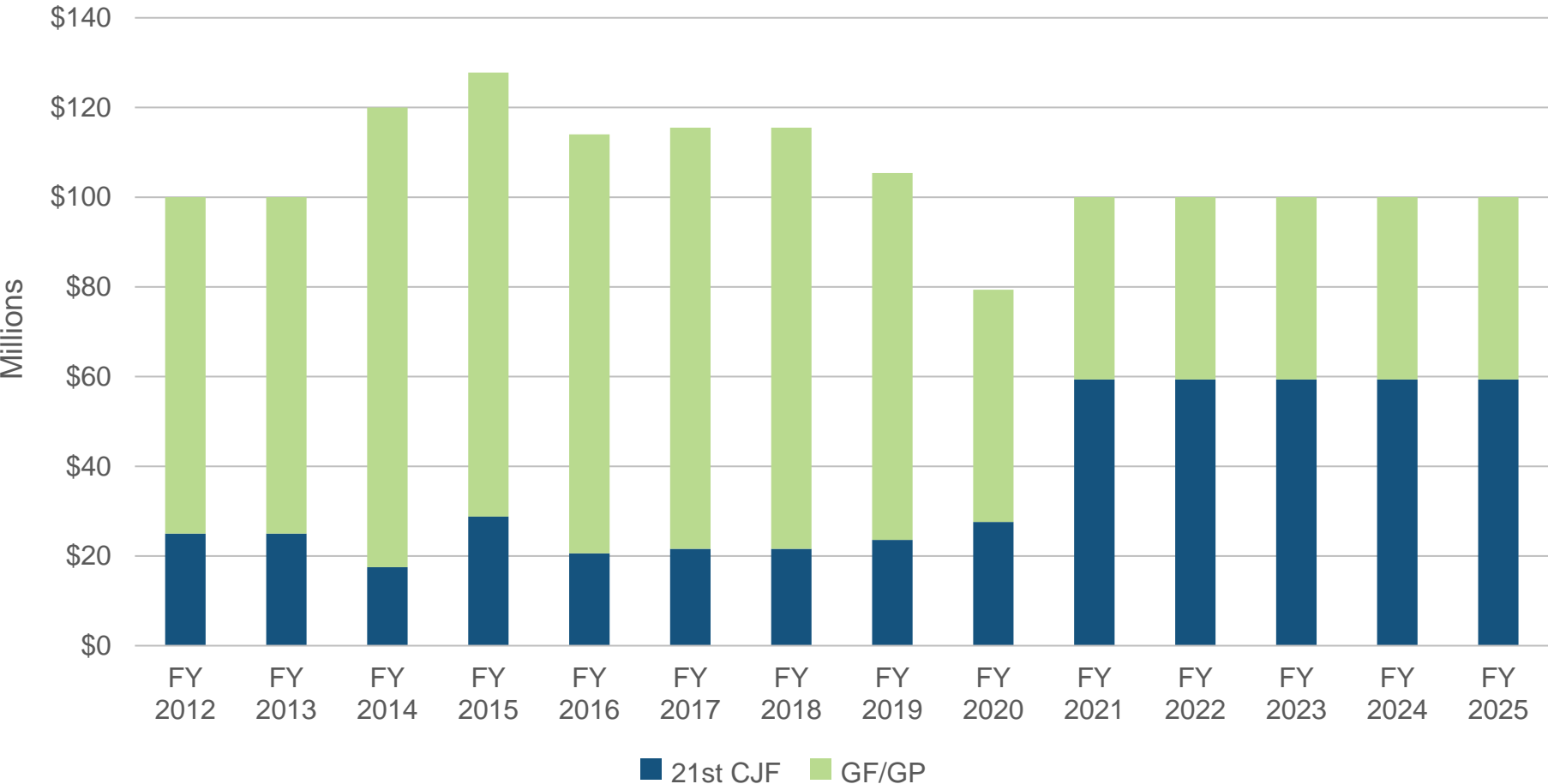
# Michigan Strategic Fund (MSF)

# MSF - Business Attraction and Community Revitalization

- Michigan Business Development Program
  - Provides grants, loans, and other economic assistance to businesses creating new qualified jobs or making new qualified investments in Michigan
  - Awarded funds are performance-based and disbursed when job growth and investment targets are met (created in 2011 PA 250)
  - Replaced the Michigan Economic Growth Authority (MEGA) tax credit program that was eliminated in FY 2011-12
- Community Revitalization Program
  - Provides performance-based grants, loans, and other economic assistance to support redevelopment of properties that are contaminated, blighted, functionally obsolete, or historic resources
  - Specific 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 2011-12
  - Sec. 514 of Article 9 of 2024 PA 121 requires a minimum of 20% of the Business Attraction and Community Revitalization appropriation to be granted for brownfield redevelopment and historic preservation projects under the community revitalization program

# MSF - Business Attraction and Community Revitalization Funding

Program established in FY 2011-12 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.

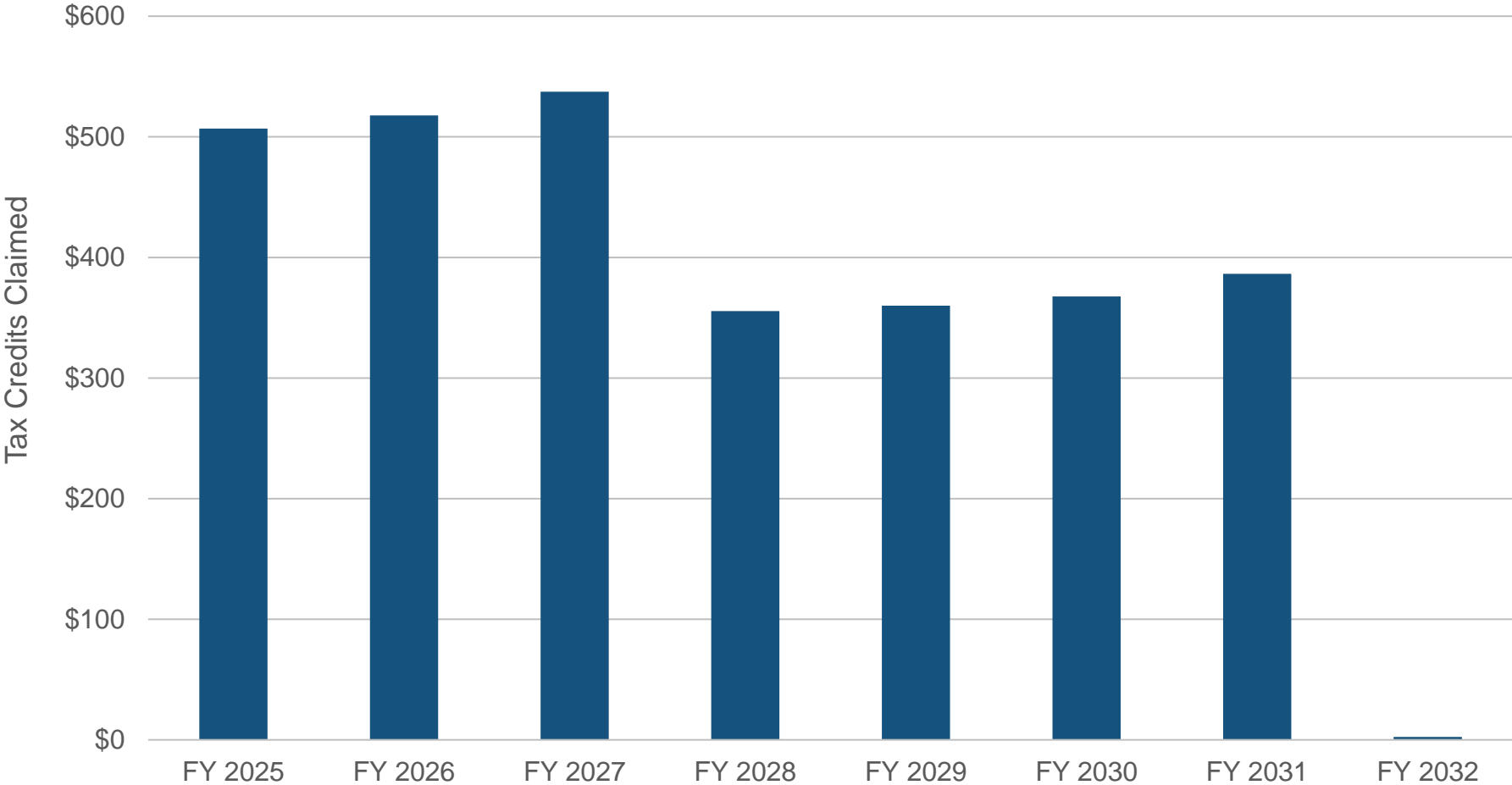


# MSF - Michigan Business Tax Certificated Credits

- 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](#)

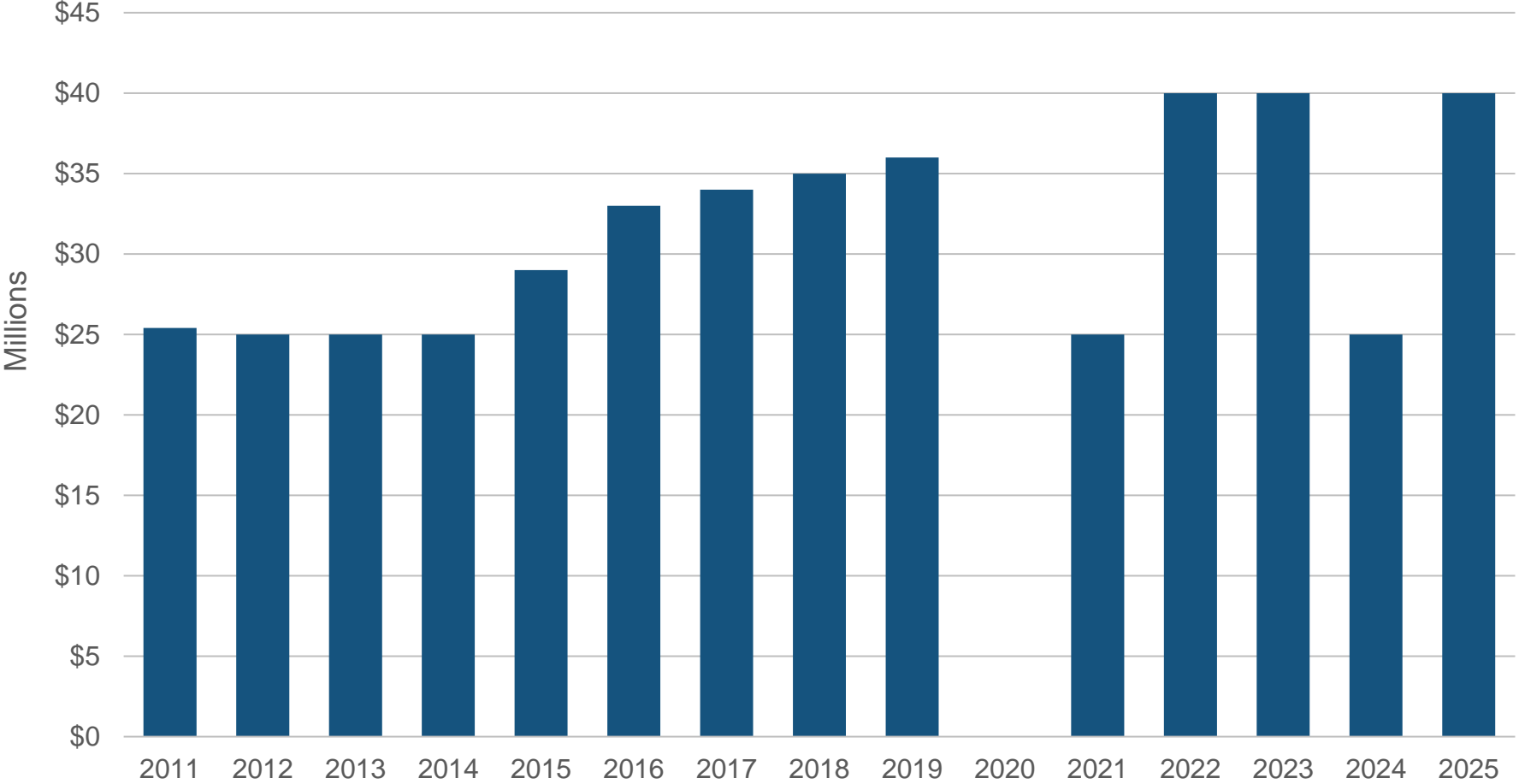
# MSF - Michigan Business Tax Outstanding Certificated Credits

MBT Certificated Tax Credits affect available revenues and are not represented in the annual appropriations act. Claimed credits are driven mainly by the MEGA credits claimed as businesses become eligible for credit redemption with the uptick in general economic conditions. The data below reflects MEDC and Treasury projections of when credits will be refunded.



# 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. Ongoing FY 2024-25 appropriation includes **\$16.0 million** GF/GP with authorization to receive up to **\$10.0 million** in private and local funds; an additional **\$14.0 million** of one-time federal Coronavirus State Fiscal Recovery Funds is also included.



# 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.
- Since its inception, nearly **\$2.4 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 lapses to the state's general fund. Currently, **\$456.4 million** remains available for SOAR authorizations.
- The charts on the following slides provide details on legislative authorizations from the SOAR Fund in Fiscal Years 2022 through 2025.

# SOAR Authorizations in FY 2021-22 and FY 2022-23

## SOAR Projects Funded in FY 2021-22 and FY 2022-23 (In Millions)

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



# SOAR Authorizations in FY 2023-24 and FY 2024-25

## SOAR Projects Funded in FY 2023-24 and FY 2024-25 (In Millions)

<u>Project</u>	<u>Program</u>	<u>Funding Amount</u>	<u>Transfer/ Supplemental</u>
Corning Inc. Manufacturing Facility	CIP	\$68.0	2024 PA 121
Thomas Twp. (Infrastructure upgrades for Corning project)	SSRP	\$29.0	2024 PA 121
Flint and Genesee Group Foundation – Advanced Manufacturing District of Genesee County Project	SSRP	\$250.0	2024-7
Dow Chemical Company	CIP	\$120.0	2025-2
University of Michigan – Los Alamos National Laboratory Computing Project	SSRP	\$100.0	2025-3
Detroit Diesel Corporation	CIP	\$27.7	2025-3
<b>Total</b>		<b>\$594.7</b>	

# Workforce Development

# Going Pro

- FY 2024-25 funding: **\$54.8 million**
  - Provides competitive awards to employers for training, developing, and retaining current and newly hired employees.
  - Training programs must be short-term and fill a demonstrated talent need experienced by an eligible participating business
  - Funding is reimbursed upon completion of training and/or employee retention
- Program performance FY 2023-24:
  - Individuals to be hired/trained: 11,471
  - Current employees to be trained: 26,748
  - Number of companies benefiting: 1,139
  - Average cost per trainee: \$1,723

# Other Workforce Development Programs

- 23+ High School Diploma Program – Grant to Graduation Alliance to assist adults over age 23 with obtaining high school diplomas and placement into career training programs (**\$3.0 million**)
- At-Risk Youth Grants – Supports grant funding to Jobs for Michigan Graduates program (**\$5.7 million**)
- Helmets to Hardhats – Supports Michigan Construction Apprenticeship Post-Military Opportunity program to connect veterans with registered construction industry apprenticeships (**\$250,000**)
- High School Equivalency-to-School Program – Offsets high school equivalency testing and certification costs for eligible individuals (**\$250,000**)
- Workforce Development (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

# Rehabilitation Services

# Rehabilitation Services

- Bureau of Services for Blind Persons (**\$29.7 million**)
  - Provides vocational rehabilitation, 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 (**\$20.7 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 (**\$145.4 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 (**\$4.6 million**)
  - Supports Michigan Employment Relations Commission (MERC), which resolves labor disputes involving private and public sectors
- First Responder Presumed Coverage Claims (**\$4.0 million**)
  - Provides benefits to firefighters diagnosed with specific types of cancer
- Michigan Occupational Safety and Health Administration (**\$37.5 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
- Office of Global Michigan (**\$43.9 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 (**\$4.1 million**)
  - Responsible for non-federal radiation regulation and inspections of machines and facilities in Michigan (including x-rays, mammography equipment, cyclotrons, and other particle accelerators)
- Wage and Hour Program (**\$4.6 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 (**\$10.0 million**)
  - Oversees enforcement and administration of the Workers' Disability Compensation Act

# Unemployment Insurance Agency

# Unemployment

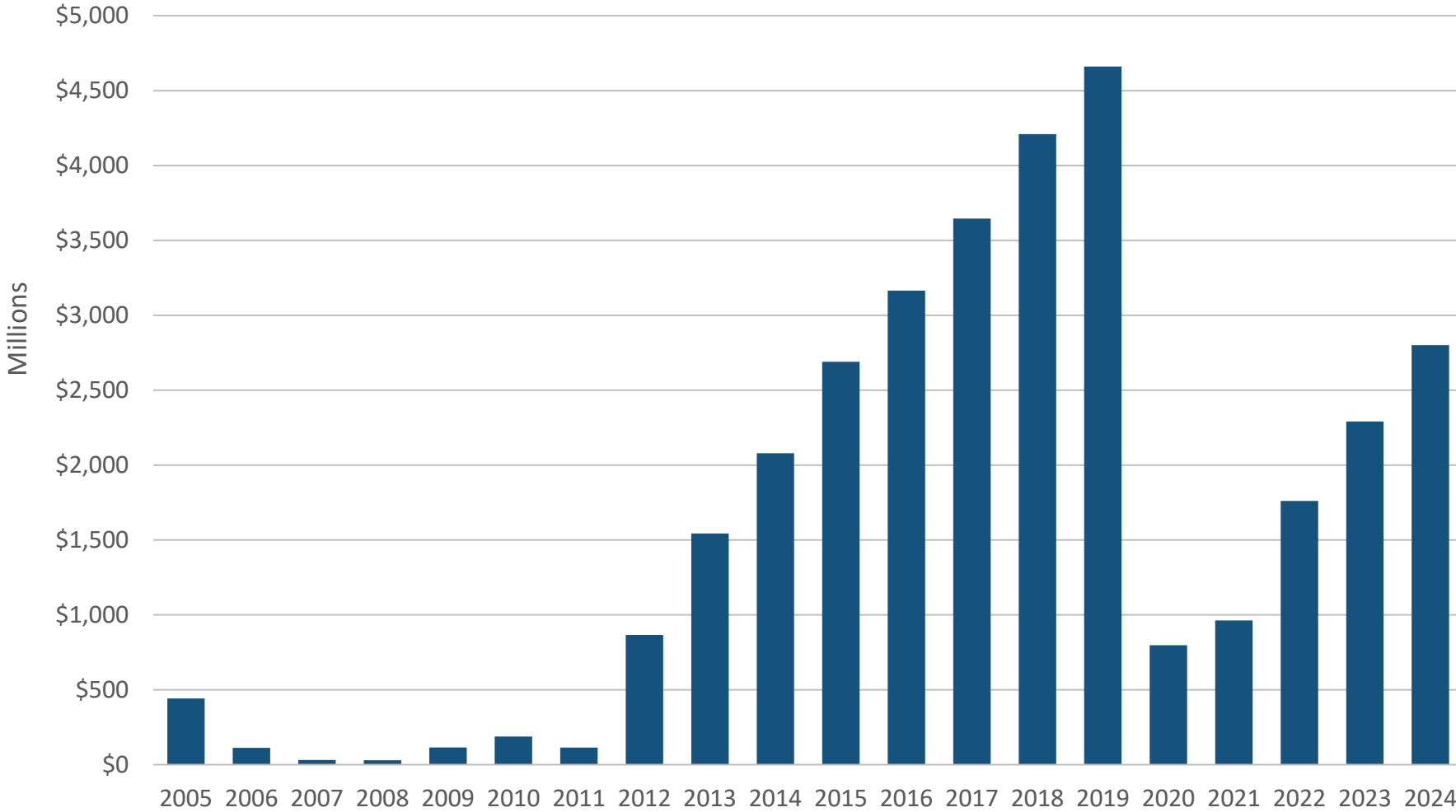
- Unemployment Insurance Agency (**\$297.2 million**)
  - Customer Service Division: Provides frontline contact points through the remote initial claims centers, problem resolution offices, and virtual problem resolution agents
  - Technology and Modernization: Covers technical environment UIA uses to 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 employer compliance with the Michigan Employment Security Act and relevant 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 is experience rated and can range from 0.06% to 10.3% on the first \$9,500 of each employee's wages
- 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 currently \$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
- Under 2024 PA 173, the maximum weekly benefit will increase to \$446 in calendar year 2025 and the 20-week cap will be extended to 26 weeks
- 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 was due to the COVID-19 pandemic.



# Other Areas

# Other Areas

- Michigan State Housing Development Authority (**\$322.6 million**)
  - Provides financial and technical assistance to create and preserve safe and affordable housing; address homeless issues; revitalize Michigan's downtowns and neighborhoods; and identify, designate, and reinvest in historic properties
  - Increases housing supply through the sale of tax-exempt and taxable notes and bonds
  - Administers the Housing Choice Voucher Program (rental subsidy for families, seniors, and persons with disabilities subject to income limits), Michigan Housing and Community Development Program, and Community Development Block Grants
- 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

# One-Time Funding

- One-time funding items account for over a quarter of the LEO budget
- One-time line items support 60 unique grants and programs
- Within these 60 line items, there are additional allocations made for specific projects included in boilerplate:
  - Community Enhancement Grants – allocate **\$137.2 million** to 103 different recipients
  - Healthcare Grants – allocate **\$43.0 million** to 14 different recipients
  - Housing Grants – allocate **\$3.9 million** to 5 different recipients
  - Infrastructure Grants – allocate **\$102.5 million** to 51 different recipients
  - Public Safety Grants – allocate **\$45.8 million** to 23 different recipients



# 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

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