



Budget Briefing: Labor and Economic Opportunity

Marcus Coffin, Senior Fiscal Analyst

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Briefing Topics

- Funding Overview
- Appropriation Areas
- Major Budget Topics

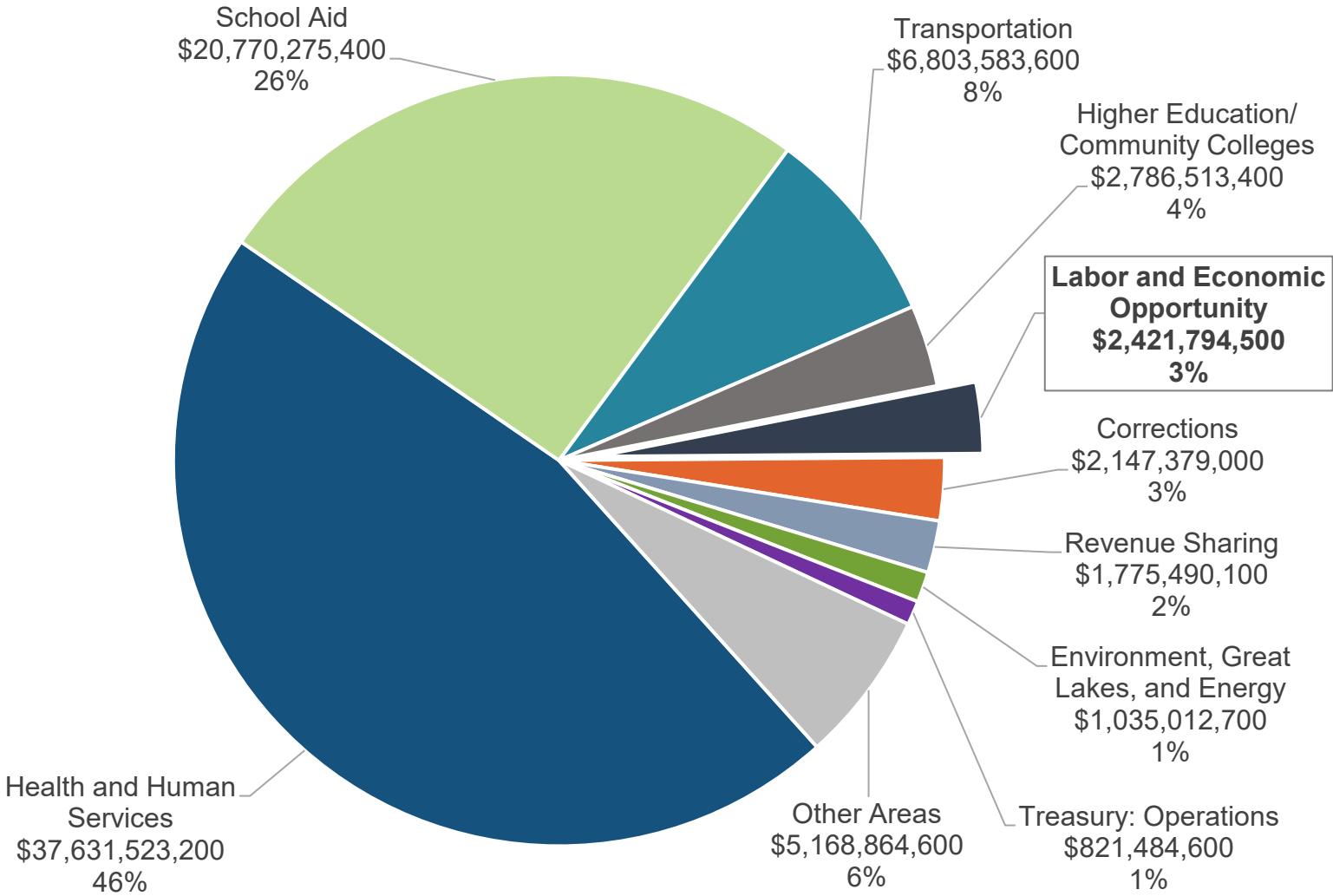
Department of Labor and Economic Opportunity

- 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 and out of 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.

Funding Overview

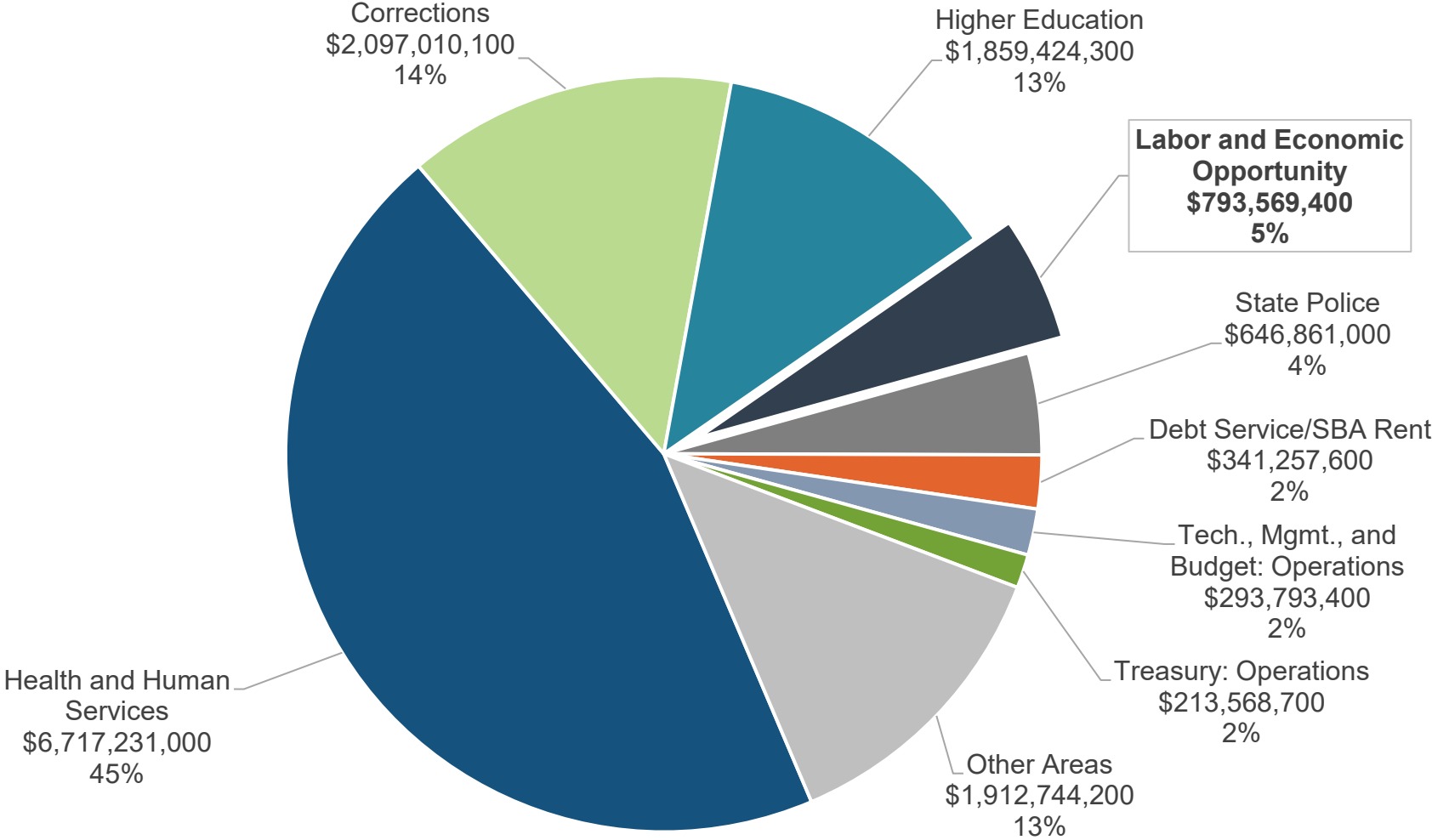
LEO Share of Total State Budget

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



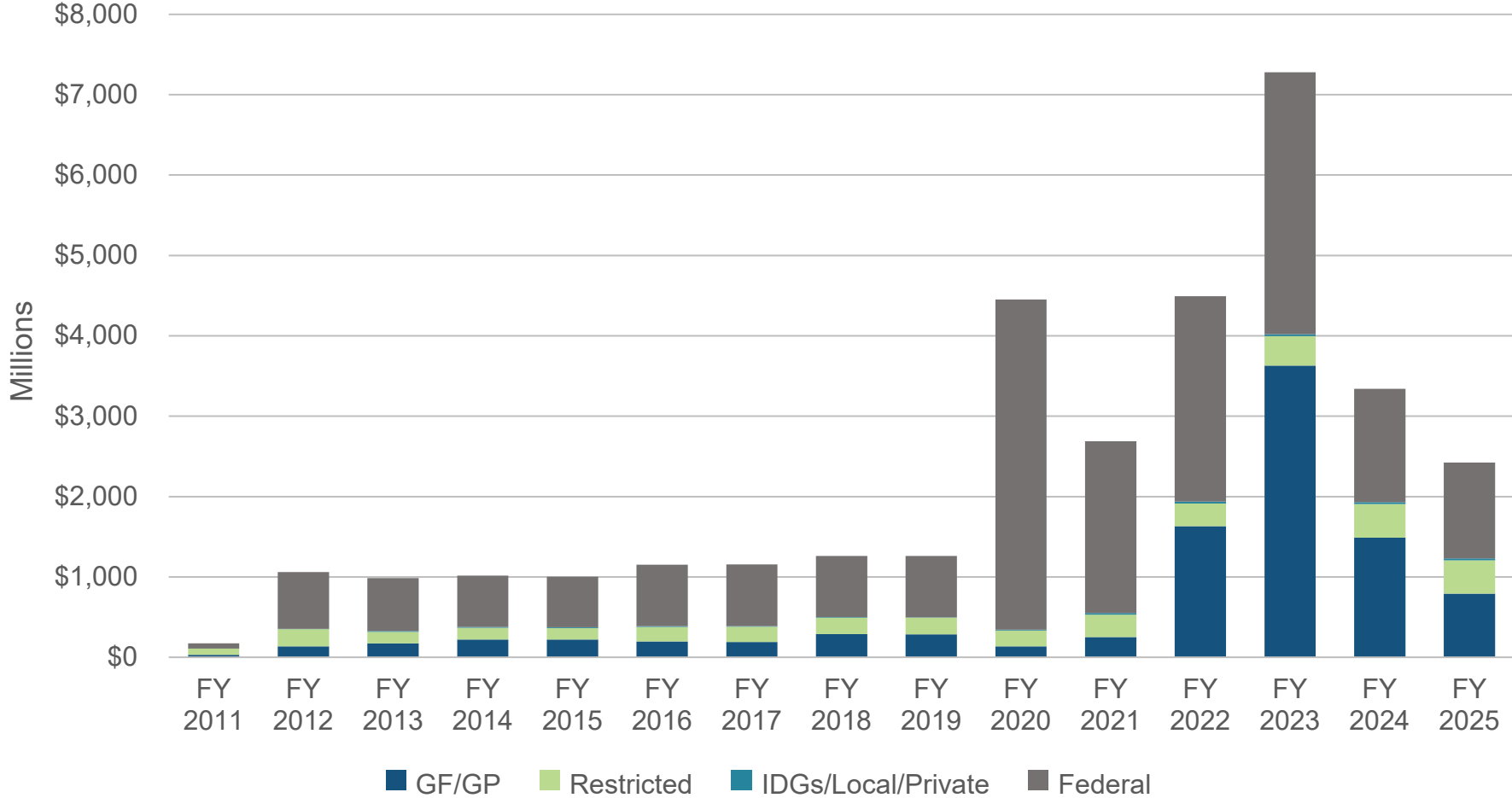
LEO Share of Total GF/GP Budget

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, and one-time grant appropriations.

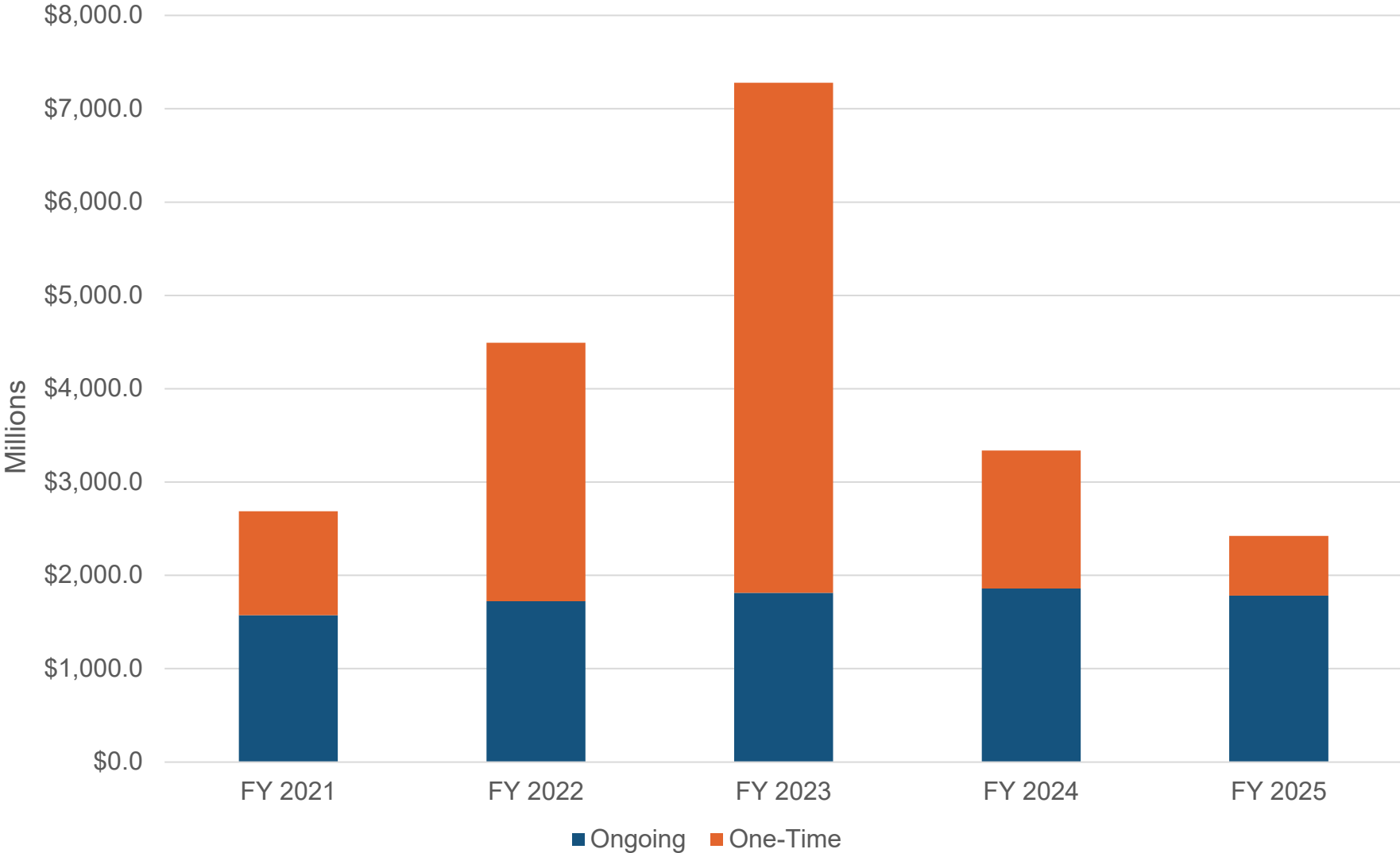


Note: Amounts do not include corporate revenue received from tribal gaming

5-Year History of Enacted Appropriations and FTEs

	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
FTEs	2,579.9	2,591.9	2,620.9	2,653.5	2,671.5
Gross	\$2,687,735,500	\$4,492,390,100	\$7,278,429,200	\$3,339,204,200	\$2,421,794,500
IDG	0	0	0	0	0
Federal	2,136,702,600	2,554,499,700	3,259,075,700	1,410,304,700	1,191,165,800
Local	10,900,000	10,900,000	10,700,000	10,700,000	10,700,000
Private	11,317,800	13,591,900	12,430,700	12,539,200	12,584,600
Restricted	277,389,100	282,782,900	366,320,600	416,445,400	413,774,700
GF/GP	\$251,426,000	\$1,630,615,600	\$3,629,902,200	\$1,489,214,900	\$793,569,400

Composition of LEO Gross Funding

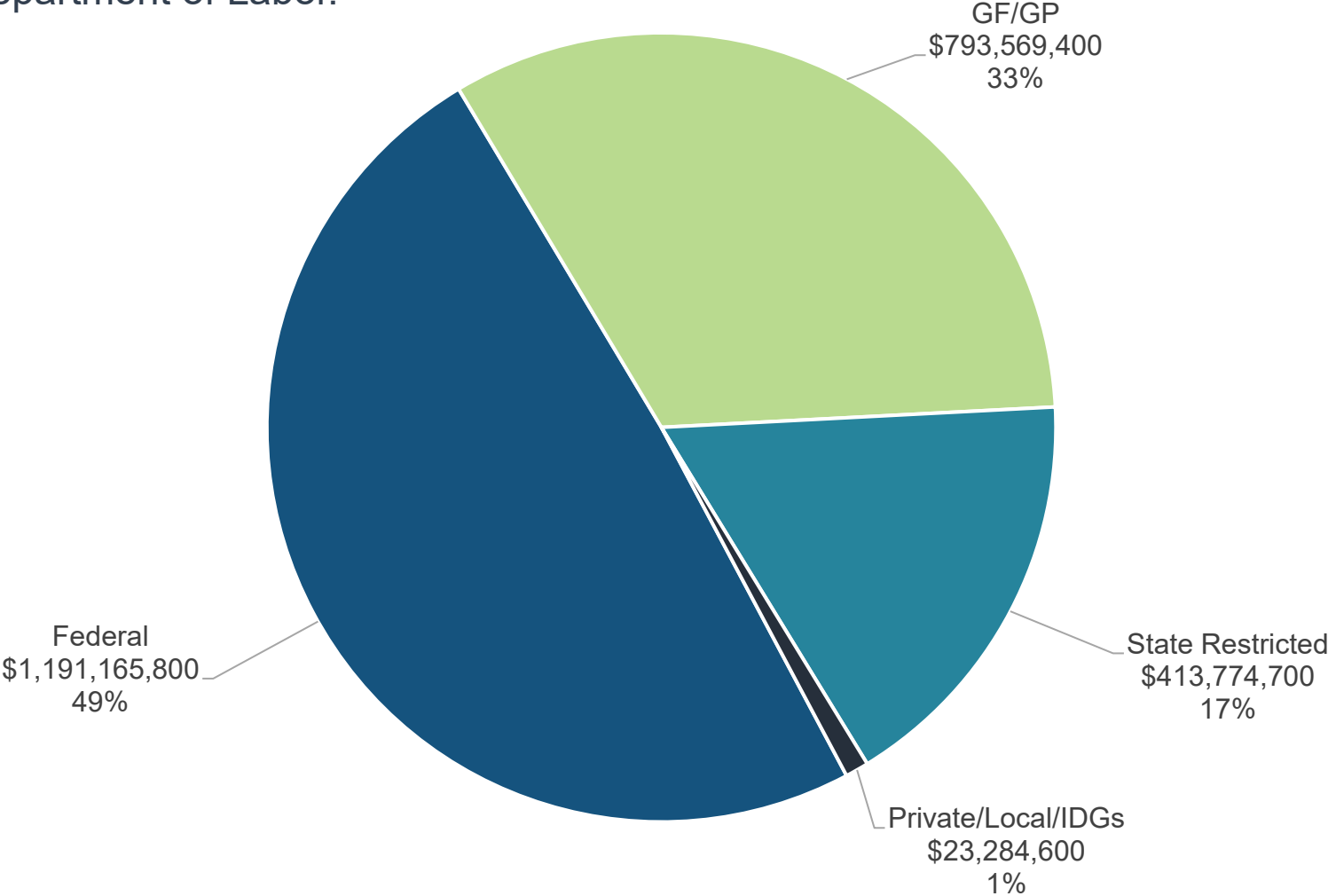


FY 2024-25 Labor and Economic Opportunity Budget

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.



Notable FY 2024-25 Changes to Ongoing Funding

- Reflects the transfer of \$68.7 million GF/GP and 12.0 FTEs to MiLEAP (Michigan Reconnect Grant and the Tri-Share Child Care programs).
- Includes \$5.9 million Gross (\$1.3 million GF/GP) for expanded vocational rehabilitation services.
- Includes an additional \$4.0 million GF/GP for the Office of Global Michigan.
- Includes an additional \$3.4 million of federal funding for the Bureau of Services for Blind Persons.
- Includes \$2.5 million GF/GP and 10.0 FTEs for the Community and Worker Economic Transition Office.
- Includes \$1.0 million GF/GP for the Concert of Colors and \$250,000 GF/GP for the Michigan Traditional Arts Program.
- Includes \$1.0 million GF/GP for Volunteer Income Tax Assistance Grants.
- Includes an additional \$1.0 million GF/GP for the Pure Michigan program.
- Includes \$697,400 GF/GP and 1.0 FTE to reflect the transfer of the Office of Rural Prosperity from MDARD.

FY 2024-25 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

Appropriation Areas

LEO Appropriation Areas

Major spending areas in LEO include the following:

- **Workforce Development (\$510.3 million Gross):** 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 (\$195.7 million Gross):** Includes Bureau of Services for Blind Persons, Centers for Independent Living, and Michigan Rehabilitation Services
- **Employment Services (\$117.8 million Gross):** 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) (\$303.1 million Gross):** Supports the Unemployment Insurance Agency and associated programs
- **Commissions (\$22.5 million Gross):** 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) (\$252.8 million Gross): 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

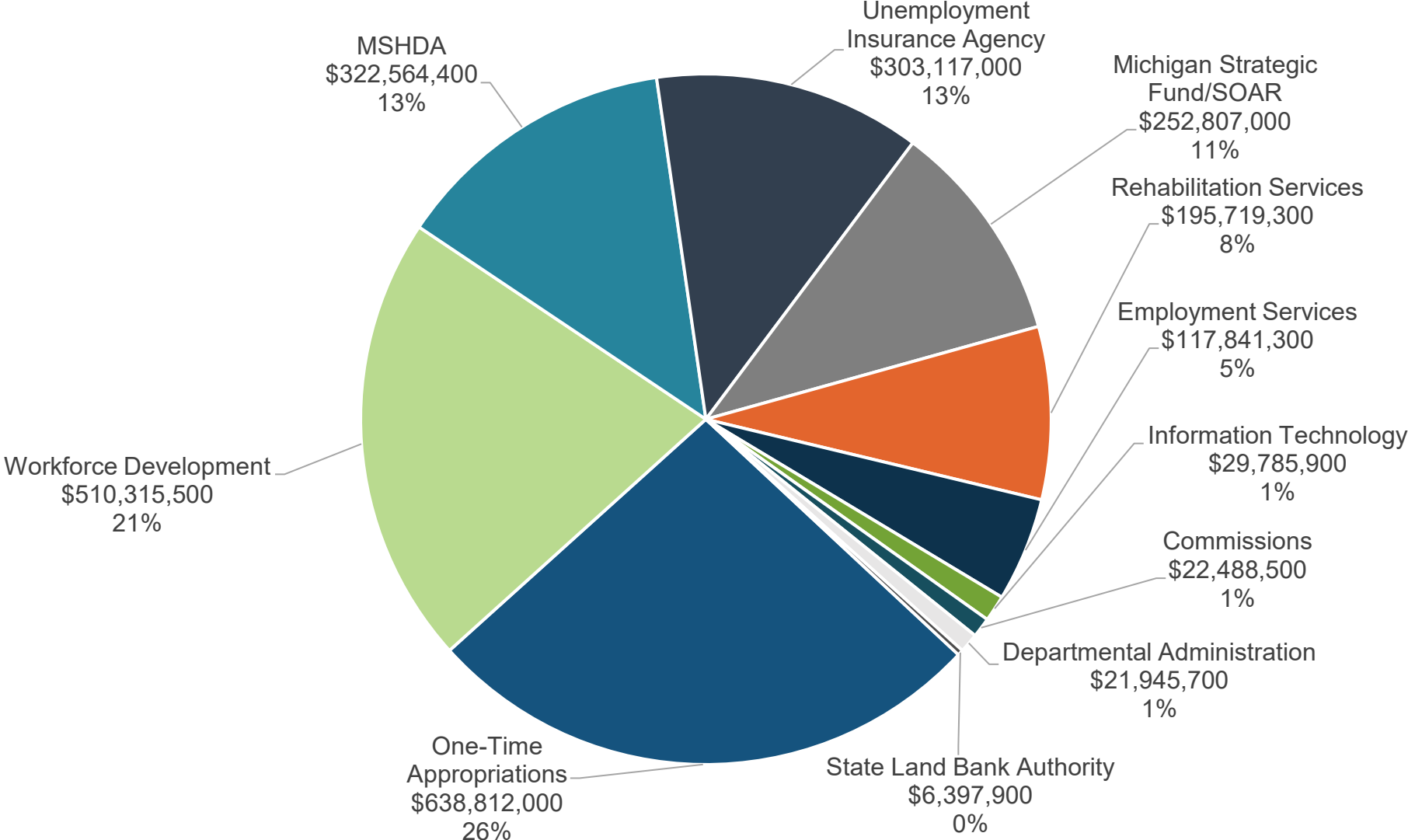
Michigan State Housing Development Authority (MSHDA) (\$322.6 million Gross): Supports MSHDA and programs to improve the supply of safe and affordable housing for low- and moderate-income Michigan residents

State Land Bank Authority (SLBA) (\$6.4 million Gross): 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 (\$638.8 million Gross): 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

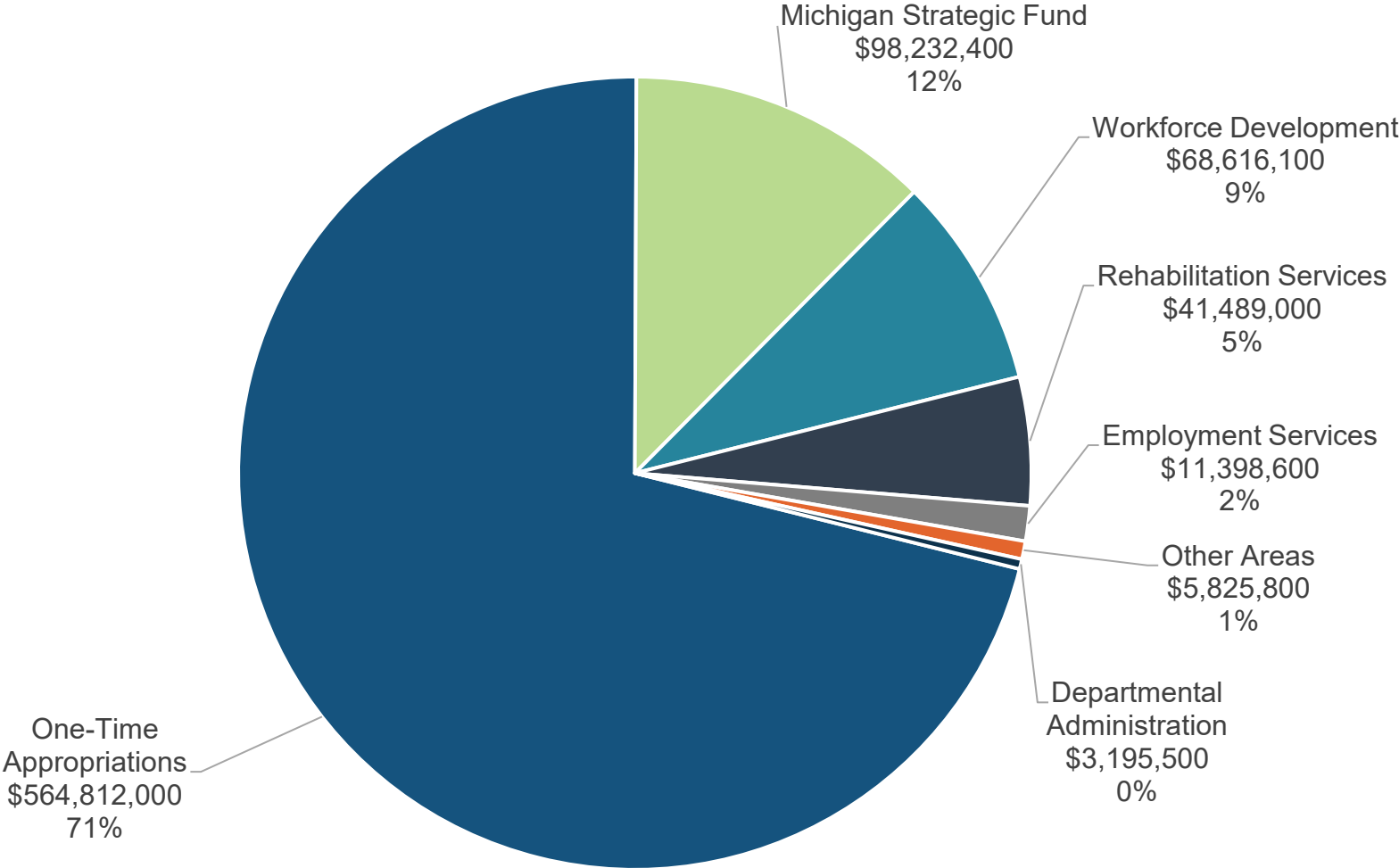
FY 2024-25 Gross Appropriations

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.

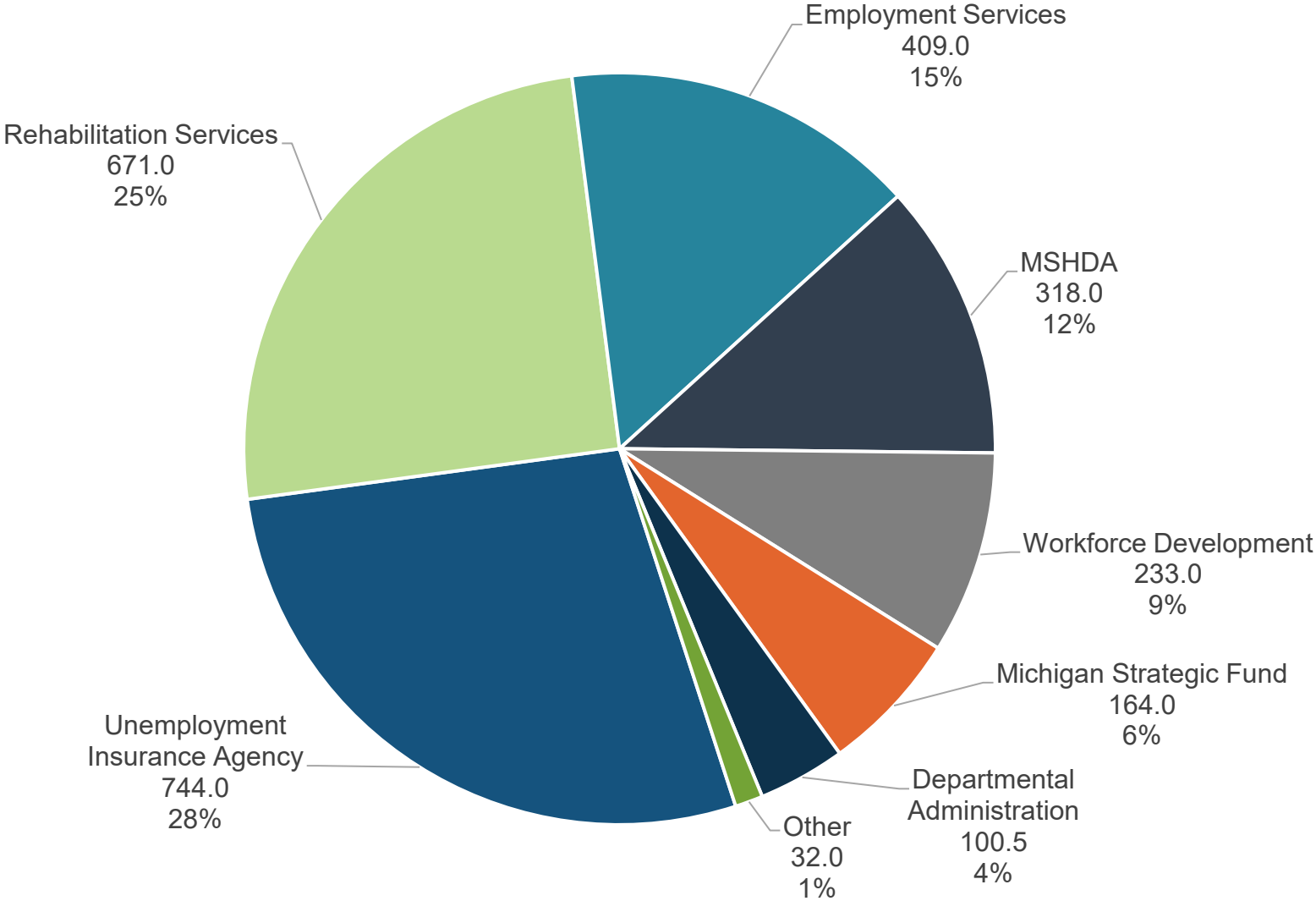


Major Budget Topics

Full-Time Equated Positions (FTEs)

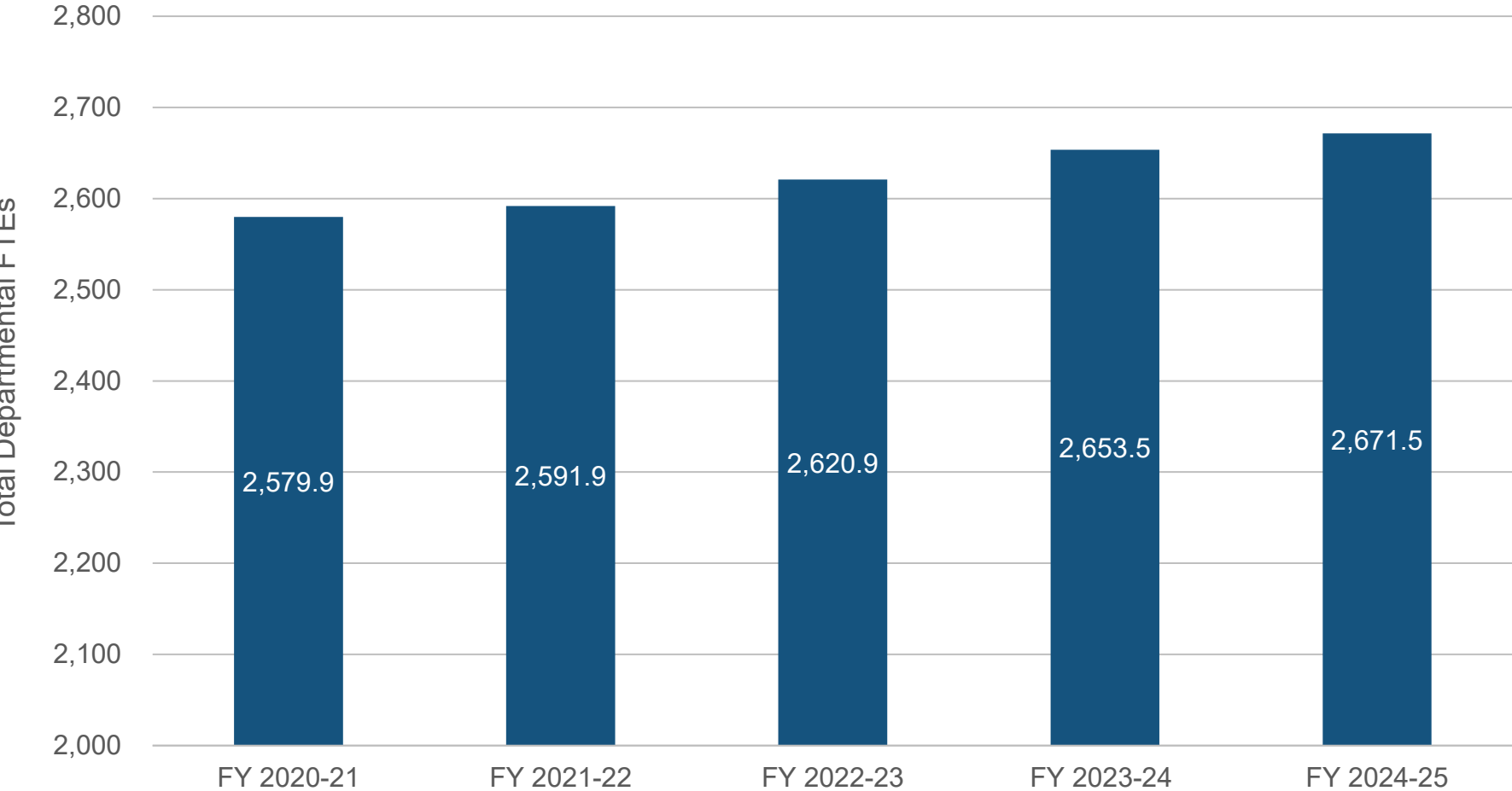
FY 2024-25 FTE Authorizations

Approximately **80%** of LEO's 2,671.5 FTEs are contained within the Unemployment Insurance Agency, Rehabilitation Services, Employment Services, and MSHDA appropriation units.



LEO 5-Year FTE History

Between Fiscal Year 2020-21 and Fiscal Year 2024-25, LEO's overall authorization for full-time equated positions increased by 91.6 positions, or roughly 3.6%. Items that have contributed to this increase are listed on slide 23.



Significant LEO FTE Changes

- 10.0 FTEs were added in FY 2024-25 for the Community and Worker Economic Transition Office.
- 12.0 FTEs were removed in FY 2024-25 to reflect the transfer of the Michigan Reconnect Grant Program to the Department of Lifelong Education, Advancement and Potential.
- 15.0 FTEs were added in FY 2024-25 for MSHDA to support local capacity building for housing.
- 20.0 FTEs were added in FY 2023-24 for MSHDA to administer housing and rental assistance programs.
- 20.0 FTEs were added in FY 2023-24 for MIOSHA for education/consultation and enforcement activities.
- 20.0 FTEs were added in FY 2022-23 for MSHDA to administer housing and rental assistance programs.

Programs

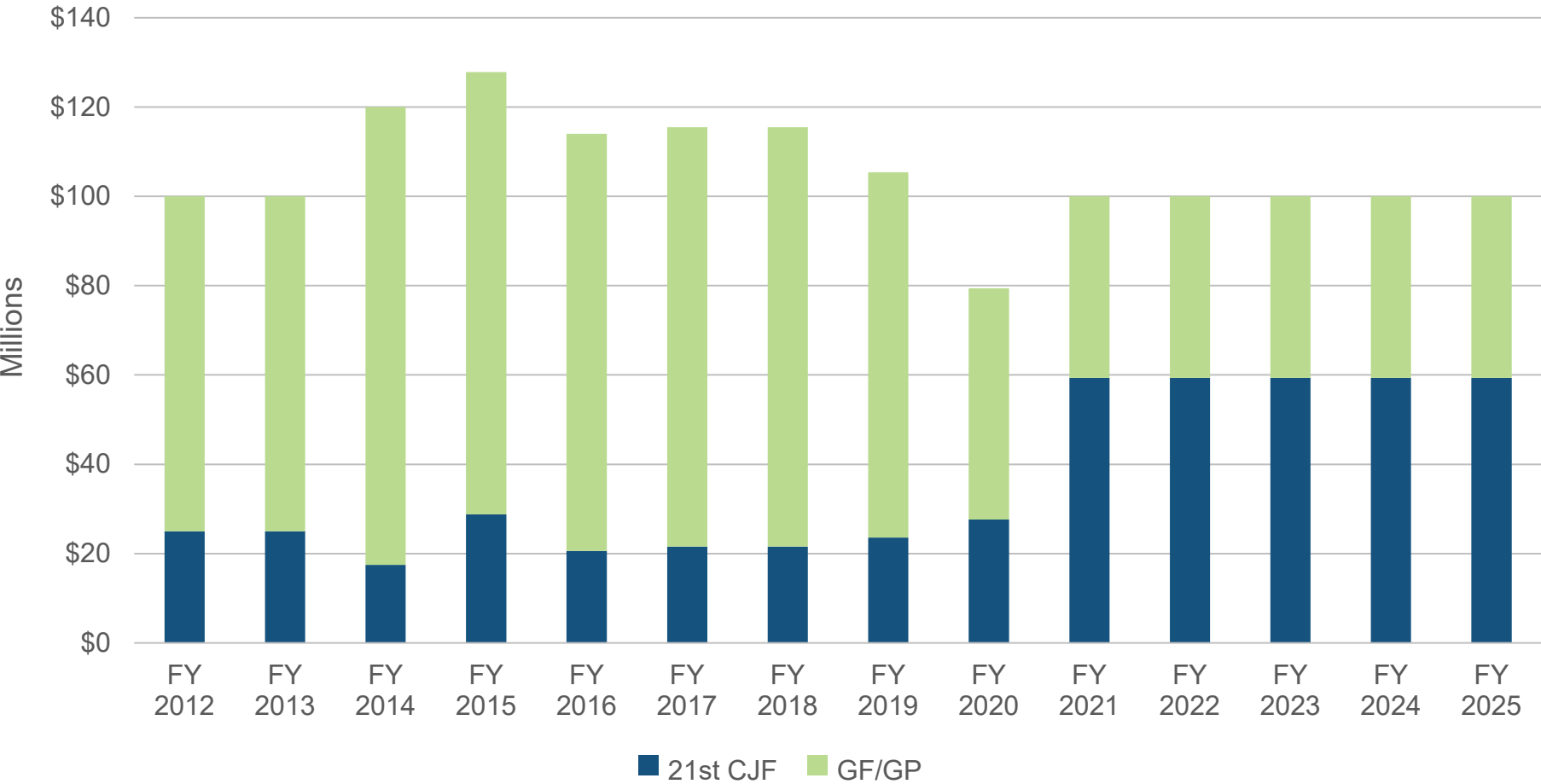
MSF - Business Attraction and Community Revitalization

- 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

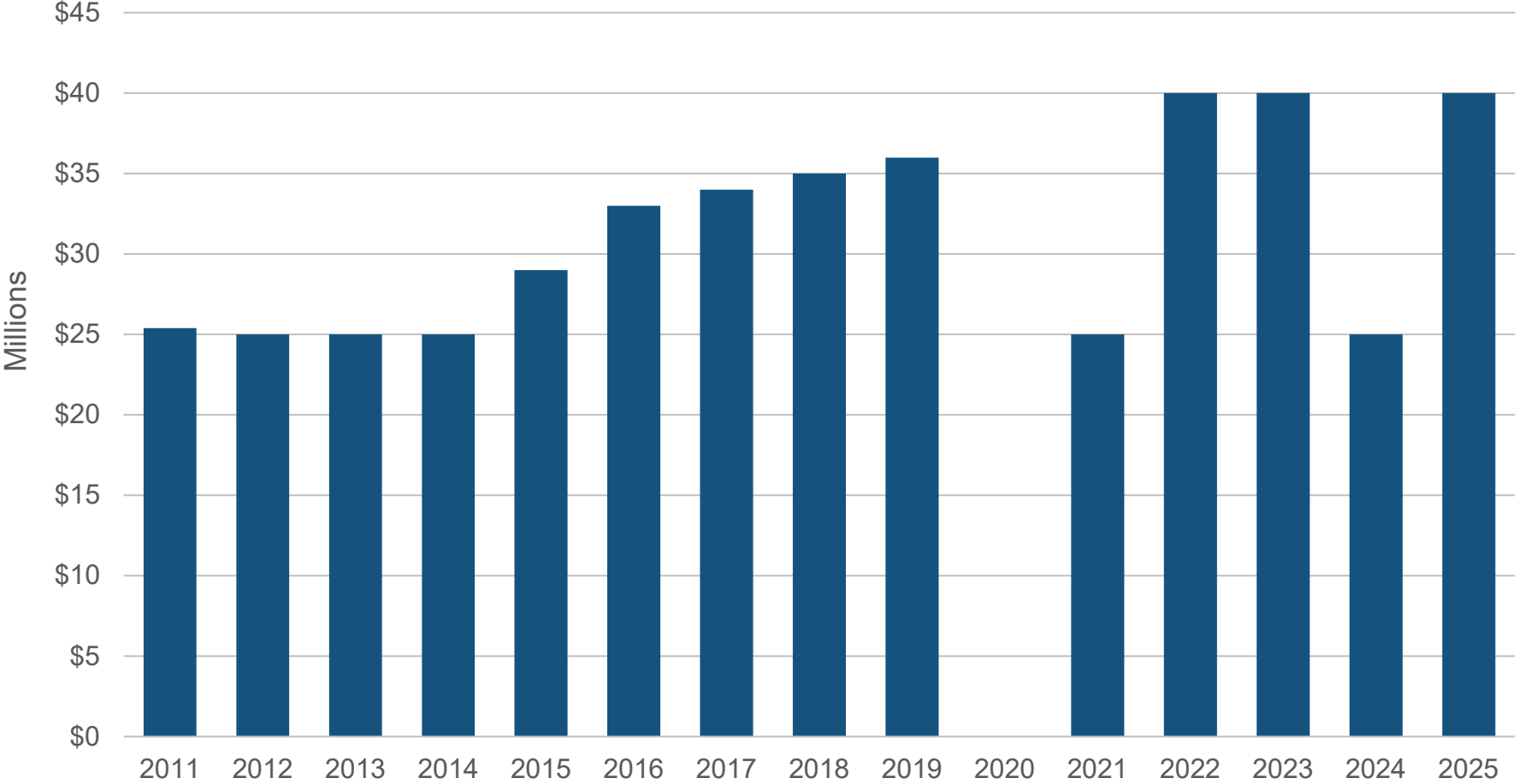
MSF - Business Attraction and Community Revitalization Funding

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.



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
Total		\$1,782.2	

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
Total		\$594.7	

Going Pro

- FY 2024-25 funding: **\$54.8 million Gross (\$45.2 million GF/GP)**
 - 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

Key Takeaways for State Legislators

- The LEO budget includes a broad spectrum of programs that include workforce development, economic development, unemployment insurance, and housing activities.
- Nearly 50% of LEO's appropriations are supported by federal sources, which include funds from the Department of Education, the Department of Labor, the Department of Housing and Urban Development, and other federal entities.
- While historical trends create an illusion of significant volatility in the budget, the reality is that ongoing funding for LEO is relatively stable, and the volatility is most notable with respect to one-time funding items.
- It is important to keep in mind that FY 2024-25 is the final year that the \$500.0 million earmark for the SOAR Fund and the \$50.0 million earmark for the Revitalization and Placemaking Fund will be available from Corporate Income Tax revenue.

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

Marcus Coffin

Senior Fiscal Analyst

mcoffin@house.mi.gov

(517) 373-8080