

State Notes

TOPICS OF LEGISLATIVE INTEREST

Summer 2015



The Department of Talent and Economic Development Overview **By Cory Savino, Fiscal Analyst**

The Department of Talent and Economic Development (TED) was created by Governor Rick Snyder with Executive Order (E.O.) 2014-12, which took effect on March 15, 2015. The E.O. brought together the Michigan Strategic Fund (MSF), workforce development programs, the Unemployment Insurance Agency (UIA), the Land Bank Fast Track Authority, and the Michigan State Housing Development Authority (MSHDA), and created the Talent Investment Agency (TIA), in one department. Also, the Michigan Economic Development Corporation (MEDC), a public corporate body, is an autonomous non-State government organization that falls under the umbrella of the new department.

This article will discuss the background of the various units within the Department of Talent and Economic Development, how it is organized, and the appropriations for fiscal year (FY) 2015-16.

Background

The various units within TED have been transferred through different departments over many years and different administrations. All of the units were in the former Department of Labor and Economic Growth (DLEG) before 2005 and the Michigan Jobs Commission in the 1990s. In addition, DLEG (which was later renamed the Department of Energy, Labor, and Economic Growth) housed the units that would become the Department of Insurance and Financial Services and the Department of Licensing and Regulatory Affairs (LARA). Public Act 270 of 1989 created the Michigan Strategic Fund as a public entity with prescribed statutory powers.

Public Act 225 of 2005 moved the Michigan Strategic Fund (MSF) to the Department of Treasury as an autonomous entity. The agency remained in the Department of Treasury, and was included in the Department's budget, until E.O. 2014-12 took effect. The Michigan Strategic Fund budget has more than doubled over the past 10 years as new programs have been introduced or expanded. The FY 2004-05 budget appropriated \$118.1 million to the MSF and the FY 2015-16 budget appropriated \$300.8 million. The largest increase is due to the 21st Century Jobs Trust Fund, which was created in statute and receives \$75.0 million annually (through FY 2018-19) in tobacco settlement funds that go toward various economic development programs. Another change was the Business and Community Incentive Program's conversion from tax credits to cash incentives. The amount of General Fund support for the MSF budget also has increased from \$54.1 million in FY 2004-05 to \$171.3 million in FY 2015-16.

The various workforce development programs were moved into one agency in the MSF budget in accordance with E.O. 2011-4 when the Department of Energy, Labor, and Economic Growth was renamed and the Department of Licensing and Regulatory Affairs was created. Executive Order 2014-12 moved the workforce development agency into the Talent Investment Agency (TIA), which was created in TED. The UIA (which administers the various unemployment benefit programs), was moved to LARA by E.O. 2011-4 and into the TIA under E.O. 2014-12. This is intended to further coordinate the unemployed with work force development, skilled training, and economic development.

The Michigan State Housing Development Authority was created by Public Act 346 of 1966 as a public corporate body with powers and duties prescribed in statute. The Land Bank Fast Track Authority was created in Public Act 258 of 2003 as a public corporate body with prescribed statutory powers and duties. In 2010, the Michigan State Housing Development Authority and Land Bank Fast Track Authority were transferred from DLEG to the Department of Treasury by E.O. 2010-2. The next year, E.O. 2011-4 transferred authority over MSHDA and the Land Bank Authority to the MSF. The Land Bank Authority

State Notes
TOPICS OF LEGISLATIVE INTEREST
 Summer 2015



was transferred from the MSF to MSHDA by E.O. 2013-8. Finally, E.O. 2014-12 transferred authority and funding for MSHDA and the Land Bank Authority to TED, where they are each independent entities.

Organization

The Department of Talent and Economic Development has six unclassified positions that oversee the Department and its units. In addition to the Director of the Department, there are three deputy directors who manage policy and legislative affairs, finance and operations, and communications. The remaining two unclassified positions are the Director of the Talent Investment Agency and the Director of the Michigan State Housing Development Authority. The position of President of the MSF and CEO of the MEDC is not an unclassified position and has been funded in a variety of ways in the past, from MEDC corporate revenue, State appropriations, or a combination of both. Currently, Steve Arwood is both the Director of TED and the President of the MSF and CEO of the MEDC. His position is funded based on the amount of time spent in the various roles. This means that it is funded by State appropriations when he serves as Director of TED and by corporate revenue when he serves as CEO of the MEDC.

After the Executive Direction unit, which oversees the entire Department, TED is divided into three major areas: the Michigan Strategic Fund, the Talent Investment Agency, and the Michigan State Housing Development Authority. The Department also includes the Land Bank Fast Track Authority, which is the smallest of the units. Table 1 shows the units within the Department and the programs within each unit.

Table 1

DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT		
MSF/MEDC	TIA	MSHDA
Business Attraction Community Revitalization Film Office/Incentive Pure Michigan Entrepreneurship Eco-System Community Ventures Community Development Block Grants Arts and Cultural Programs Bond Payments: <ul style="list-style-type: none"> • Skilled Trades Equipment • FRIB 	Workforce Development Administration and Program Unemployment Insurance Agency (UIA) Skilled Trades Training Program	Payments on Behalf of Tenants Housing and Rental Assistance Lighthouse Preservation Program <hr/> Land Bank Fast Track Authority

The MSF unit provides much of the funding to the various economic development programs that the MSF and MEDC operate. These include the Business Attraction and Community Revitalization Program, Entrepreneurship programs, Pure Michigan, the Film Incentive Program (which may issue no new incentives after July 10, 2015, the effective date of Public Act 117 of 2015), the Federal Community Development Block Grants, Community Ventures, and Arts and Cultural Grants. This unit previously existed in the Treasury Department as an autonomous entity as well as administrator of the programs. The two most recent budget line items that were added are the bond payments for the Facility for the Rare Isotope Beams (FRIB) and for the Community College Skilled Trades Equipment Program. These are two bonds that were authorized by the MSF and are overseen by the MSF. The major program funding source to the MSF unit is State Restricted funds from the 21st Century Jobs Trust Fund, which receives a portion of the tobacco settlement revenue; the unit also receives Federal funds and General Fund/General Purpose (GF/GP) support. The MSF board approves various economic development projects for the programs while the MEDC provides administration of the programs.



The Talent Investment Agency provides funding to the various workforce development programs and the Unemployment Insurance Agency. Before the creation of TED, the workforce development programs were administered by the Michigan Works! Agency and other parties within the Treasury Department while the UIA was administered within LARA. The workforce development programs consist of multiple Federal programs that are administered by the State, including GEAR-UP, Carl Perkins Grants, Adult Education, Postsecondary Education, Pure Michigan Talent Connect, Trade Adjustment Assistance, Partnership Accountability Training Hope (PATH), Workforce Innovation and Opportunity (WIOA), Veteran Job Assistance, Migrant and Seasonal Workers, Skilled Trades Training, and Foreign Labor Certification Programs. The workforce development programs are primarily funded with Federal funds and some GF/GP and State Restricted funds. The UIA provides the administration for the Unemployment Insurance Trust Fund, Tax Office, Business and Financial Services, Program and Policy Administration, Trust Fund Accounting, Office of Appeals, and Unemployment Insurance Analysis and Reporting. The UIA is funded with a combination of Federal and State Restricted and UIA Penalty and Interest funds. The Skilled Trades Training Program, which aligns community college courses with businesses in the community, is funded with GF/GP and UIA Penalty and Interest funds.

The Michigan State Housing Development Authority has two major programs. The first is Payments on Behalf of Tenants, which administers the Federal Section 8 Housing Program and provides rental subsidies for eligible households with low income, and is completely funded by Federal funds. The second major program is Housing and Rental Assistance, which supports the administration for MSHDA, and administers the sale of tax-exempt bonds and notes, grant funding to nonprofit organizations for rehabilitation, the State Historic Preservation programs, the Federal Neighborhood Stabilization Program, homeownership counseling, and foreclosure prevention assistance. This program is funded with State Restricted MSHDA Fees and Charges funds. The MSHDA unit also oversees the Lighthouse Preservation Program, which directs revenue received from lighthouse preservation license plates to local preservation groups.

The Land Bank Fast Track Authority works with Good Neighbor programs to convert tax-reverted property to productive use. This program is mostly funded with a Federal grant and GF/GP support.

Appropriations and Funding History

In addition to the programs and units that have been moved around the State departments and their budgets, the funding levels of those units have changed. Over the past five budget years, Gross appropriations to the units that now make up the Department of Talent and Economic Development have fluctuated between \$1.18 billion and \$1.29 billion. The data in [Figures 1](#) and [2](#) illustrate the funding and appropriations history for those units and the current funding for the Department. In order to get an accurate comparison with previous years, the budget tracking follows the current department structure and ignores the previous arrangements. This allows for an "apples to apples" comparison of the funding and appropriations history. As [Figure 1](#) shows, the GF/GP funding has fluctuated the most, from \$141.4 million to \$296.4 million, while Federal funds have declined consistently over the past five years. This is due to Federal budget decisions and declines in the caseloads for both workforce development and unemployment insurance. [Figure 2](#) shows that the MSF unit had the greatest variability, the TIA declined overall, and MSHDA remained consistent throughout the past five years. Total appropriations peaked in FY 2013-14 before declining to the previous year's level. Federal funds declined as a portion of the budget, from 75.7% in FY 2011-12 to 66.3% in FY 2015-16. Meanwhile, State Restricted funds and GF/GP funding have increased, from 23.8% in FY 2011-12 to 32.9% in FY 2015-16.



Figure 1

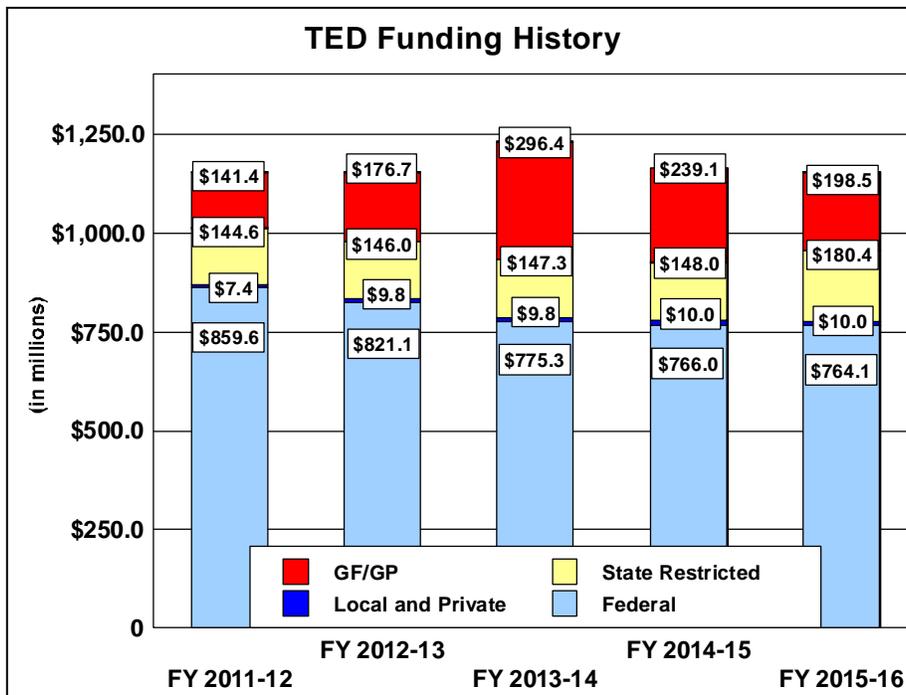
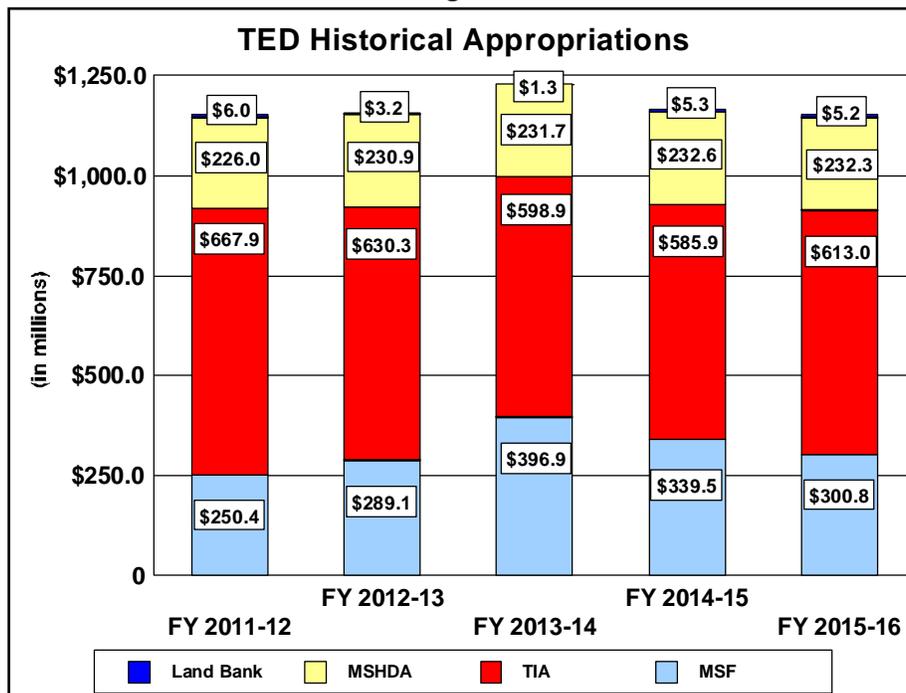


Figure 2





The MSF and the TIA (i.e., the programs that comprise the TIA) have experienced funding changes throughout the past five years. Figures 3 and 4 show the funding history for these agencies. Figure 3 shows that the MSF budget has fluctuated more than \$100.0 million over the past five years, starting at \$250.4 million in FY 2011-12, increasing to almost \$396.9 million in FY 2013-14, and then decreasing to \$300.8 million in FY 2015-16. The Federal grants and State Restricted, 21st Century Jobs Trust Fund, remained constant over the past five years; however, the GF/GP funding has changed significantly. The GF/GP portion is determined by the amount of general revenue received as well as the priorities of the Legislature and Governor, which explain the considerable changes in the funding levels. The TIA, as shown in Figure 4, has experienced a decline in Federal funds, due to a decline in caseload amounts in workforce development programs and unemployment insurance, which determine the Federal appropriation levels. The recent increase in State Restricted funds comes from the use of unemployment insurance Penalty and Interest funds to expand the Skilled Trades Training Program.

Figures 5 and 6 show the appropriations history of MSHDA and the Land Bank Authority. The MSHDA appropriations have remained the most consistent over the past five years. This is largely due to the fact that only Federal and State Restricted funds support the unit, which means the appropriations process has very little impact on the funding levels of this unit. The only changes have been due to economic adjustments. The Land Bank Authority has been moved around the State budget the most often, and based on percentage, has had the most dramatic funding shift. The budget uses GF/GP funding to replace a State Restricted funding source: the Land Bank Fast Track Fund. The Restricted Fund was intended to raise revenue from the sale or lease of land after it had been put into productive use, but this source of income has not provided sufficient funding to the Authority.

Figure 3

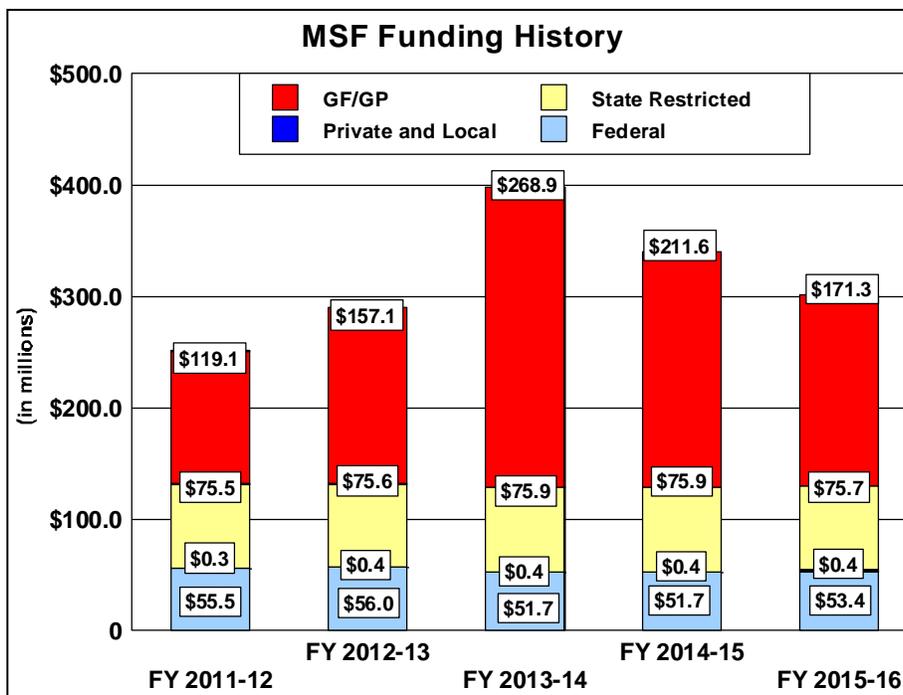




Figure 4

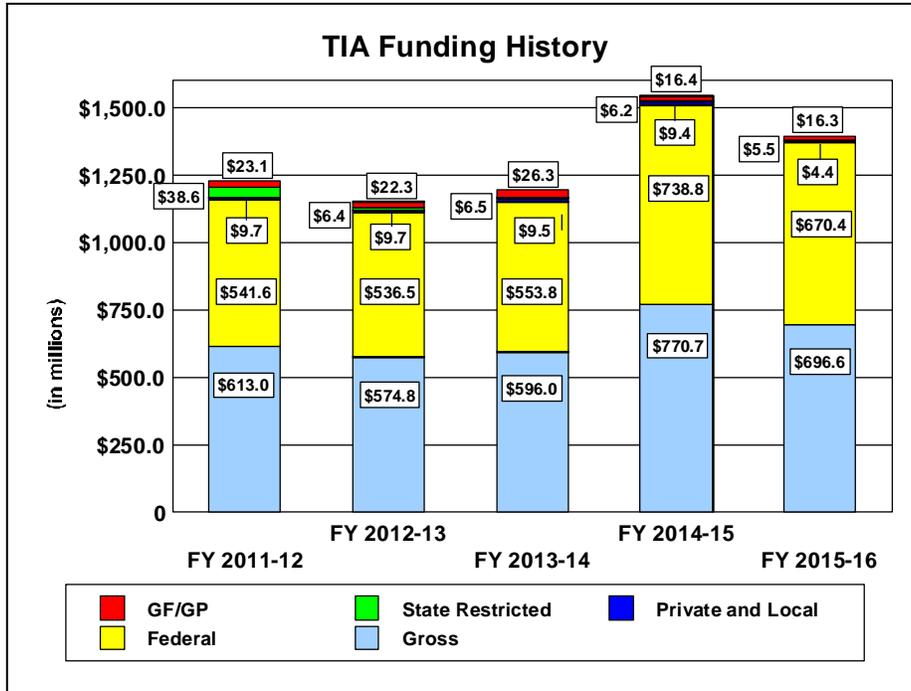


Figure 5

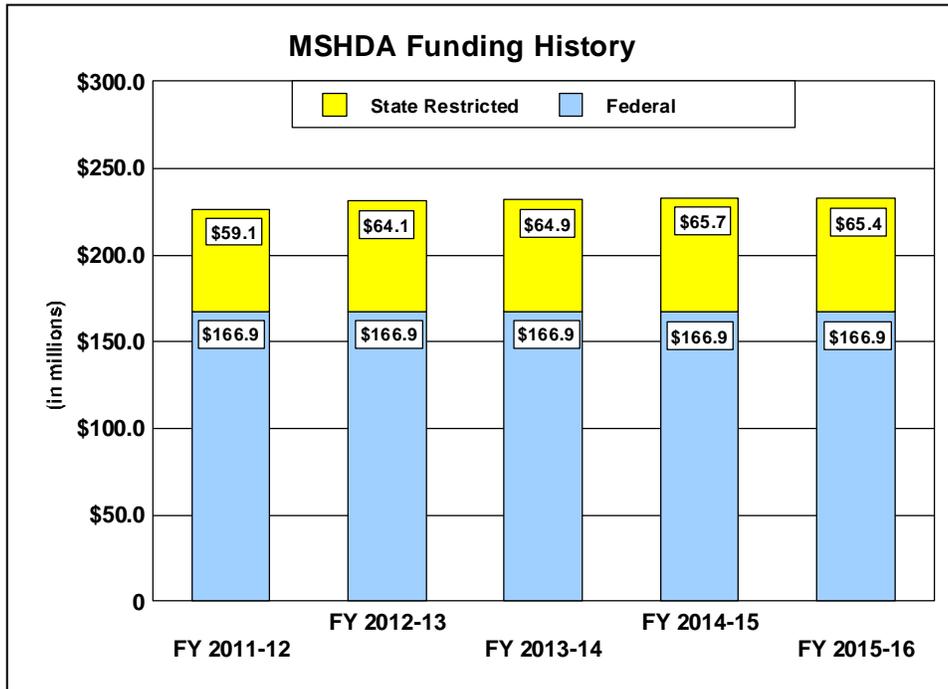
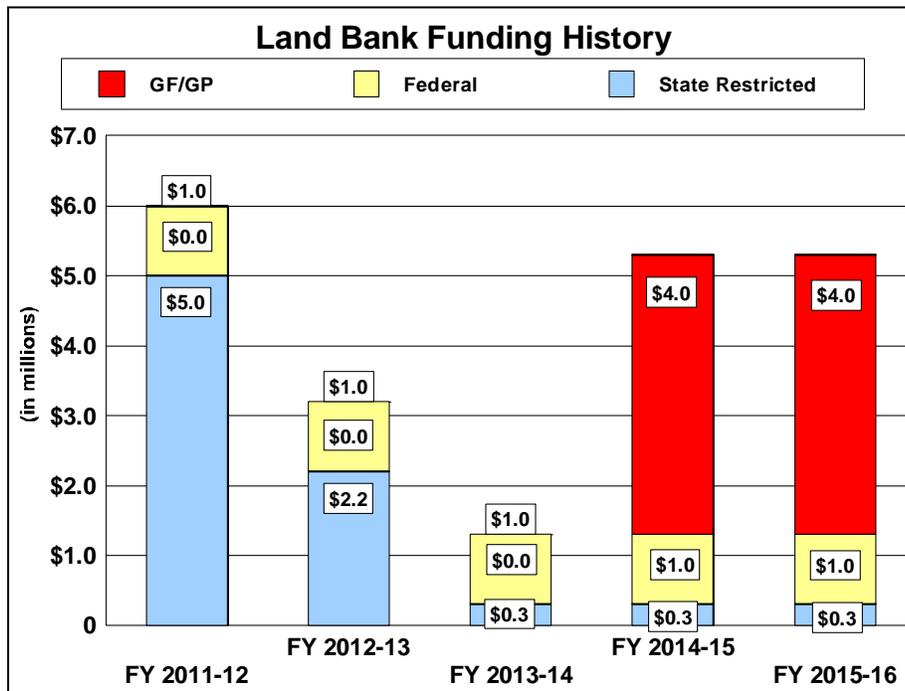




Figure 6



Conclusion

The programs and units within TED have a long history of changes with appropriation levels, organization, and placement in the State budget. These units were previously in the former Department of Labor and Economic Growth in 2005, then later in Treasury, and the Department of Licensing and Regulatory Affairs. The appropriations history shows that the Department of Talent and Economic Development has a larger portion of State Restricted and GF/GP funds than its components had in the past, while Federal funds have decreased. The Department is divided into the Michigan Strategic Fund, the Talent Investment Agency, the Michigan State Housing Development Authority, and the Land Bank Fast Track Authority. At this time, it is unclear whether there will be any additional units, programs, or funding level changes to the Department in the future years.