

**SENATE FISCAL AGENCY  
 MEMORANDUM**

**DATE:** January 5, 2015  
**TO:** Members of the Senate  
**FROM:** Josh Sefton, Fiscal Analyst  
 Joe Carrasco, Fiscal Analyst  
**RE:** Executive Order 2014-12

**Executive Order 2014-12**

On December 18, 2014, Governor Snyder issued Executive Order (E.O.) 2014-12, which would create a new State department called the Department of Talent and Economic Development (TED). The new department would receive programs transferred from the Department of Treasury, the Michigan Strategic Fund (MSF), and the Department of Licensing and Regulatory Affairs (LARA), and also house a new agency called the Michigan Talent Investment Agency (TIA). Article V, Section 2, of the Michigan Constitution states that the Legislature has 60 days following the issuance of an E.O. to reject it; the last day for the Legislature to reject E.O. 2014-12 is February 16, 2015.

**Program Transfers Under Executive Order 2014-12**

The proposed Department of Talent and Economic Development would receive the following programs and agencies from their current departments and agencies: the MSF, which would be transferred from the Department of Treasury; the Michigan State Housing Development Authority (MSHDA), which would be transferred from the MSF; and the State Land Bank Fast Track Authority, which would be transferred from MSHDA. It should be noted that the E.O. specifies that the revenue bonding powers of the State Land Bank Fast Track Authority would be transferred to the MSF, and would not be transferred to the Director of TED.

The E.O. also would create the TIA within TED, and would transfer the following programs from their current departments and agencies to the TIA: the Workforce Development Agency, from the MSF; the Governor's Talent Investment Board, from the MSF; and the Unemployment Insurance Agency, from LARA. Finally, the E.O. would transfer the Michigan Office for New Americans from the Executive Office to LARA. Table 1 provides a summary of the transfers that would take effect under the E.O.

**Table 1**

<b>Summary of Program Transfers Contained in Executive Order 2014-12</b>		
<b>Program/Agency</b>	<b>Department/Agency Transferred From</b>	<b>Department/Agency Transferred To</b>
MSF	Treasury	TED
MSHDA	MSF	TED
State Land Bank Fast Track Authority	MSHDA	TED
TIA	N/A (new agency)	TED
Workforce Development Agency	MSF	TIA
Unemployment Insurance Agency	LARA	TIA
Governor's Talent Investment Board	MSF	TIA
Office for New Americans	Executive Office	LARA

**Michigan Talent Investment Agency**

In addition to the administration of the programs listed in Table 1, the TIA would be tasked with a number of new responsibilities which would include the following: reviewing and assessing all talent service-related programs in State government; making recommendations on existing and proposed talent services; providing information and training to State departments regarding talent services; serving as the Governor's liaison to State departments and workforce regions with respect to talent services and programs; requesting advice and assistance from State departments with regard to the improvement and coordination of talent services and programs; and serving as the coordinating office for State agencies with talent service responsibilities, as well as the clearinghouse of communications with the U.S. Department of Labor. Finally, the E.O. specifies that the Governor would have to appoint a head of the TIA, and that person would be designated as a member of the Governor's Cabinet.

**Other Changes Under Executive Order 2014-12**

The primary effect of the E.O. would be the reorganization of the programs and agencies listed in Table 1; however, the E.O. also would change the operation of some of those programs and agencies. The E.O. would abolish the current board of directors of the Michigan Strategic Fund, and would require the Governor to appoint eight new members, subject to certain conditions. There are currently 10 members of the MSF board of directors, but the E.O. would require the appointment of two additional members (for a total of 10, as are currently serving) to serve through December 31, 2015.

**Fiscal Impacts of Executive Order 2014-12**

In total, the E.O. would have a small, but likely negative fiscal impact on State government, and likely no fiscal impact on local units of government. Most of the proposed changes in the E.O. are merely program transfers from one department to another and would result in no change in the amount of work or administration required to operate those programs. The new department could largely operate for the remainder of FY 2014-15 using the existing appropriations for the programs and agencies that would be transferred to TED under the E.O. Table 2 provides a summary of these appropriations for FY 2014-15, and includes figures for programs transferred to both TED and the TIA, which would be a part of TED. In addition to the appropriations that would be transferred to TED, FY 2014-15 appropriations for the Office for New Americans, which is currently housed in the Executive Office, would be transferred to LARA. These

appropriations are 4.0 full-time equated (FTE) positions and \$385,000 General Fund/General Purpose (GF/GP).

**Table 2**

<b>FY 2014-15 Appropriations Transferred to TED Under E.O. 2014-12<sup>1</sup></b>					
<b>Fund Source</b>	<b>Michigan Strategic Fund<sup>2</sup></b>	<b>MSHDA</b>	<b>Land Bank</b>	<b>Unemployment Insurance Agency</b>	<b>TOTAL – TED</b>
FTEs	403.0	347.0	6.0	852.0	1,608.0
Gross	\$726,323,900	\$232,556,000	\$5,250,000	\$102,275,700	\$1,066,405,600
Federal	459,510,300	166,860,000	1,000,000	96,461,000	723,831,300
Local	4,433,500	0	0	0	4,433,500
Private	5,654,900	0	0	0	5,654,900
Restricted	76,682,700	65,696,000	300,000	5,814,700	148,493,400
GF/GP	\$180,042,500	\$0	\$3,950,000	\$0	\$183,992,500

<sup>1</sup>Figures do not include department-wide administrative cost allocations for items such as information technology and accounting services. These figures will likely accompany the FY 2015-16 Governor's Recommendation for TED. The figures also do not include one-time appropriations for FY 2014-15 as it is assumed that they will not be carried forward as a base for the FY 2015-16 budget.

<sup>2</sup>MSF figures include appropriations for the Workforce Development Agency and the Governor's Talent Investment Board.

Since the E.O. would create a new department, it is reasonable to expect that new unclassified positions would be created (up to six for most departments, pursuant to the Michigan Constitution) and those new positions would likely require additional resources. The exact dollar figure would depend on how many unclassified employees were actually hired as well as their salaries. Most State departments are budgeted approximately \$700,000 annually for the salaries of their six unclassified employees. It should be noted that the \$700,000 figure is for salaries only, and does not include health insurance, retirement, or other benefits. In addition to costs related to new unclassified salaries, there would be some costs related to the new responsibilities of the TIA. These costs are currently unknown, but would depend largely on the number of staff who would be tasked with fulfilling these responsibilities. Like the administrative cost allocations for the programs that would be transferred to TED, it is anticipated that the Governor's Recommendation for the FY 2015-16 TED budget will contain appropriations for these new costs.

**Summary**

Executive Order 2014-12 would transfer a number of programs within the Departments of Treasury and Licensing and Regulatory Affairs to a new department called the Department of Talent and Economic Development, as well as make some other changes. The Governor issued this E.O. on December 18, 2014; if the Legislature does not act to disapprove the E.O. by February 16, 2015, it will become effective.

If you have questions on E.O. 2014-12, please do not hesitate to contact any of us.

/lms

c: Ellen Jeffries, Director  
 Bill Bowerman, Associate Director