



## **Background Briefing**

# **ENERGY, LABOR AND ECONOMIC GROWTH**

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**January 2011**

**The fiscal information in this background briefing is based on data through January 1, 2011.**

# DELEG Budget

- **The Department of Energy, Labor and Economic Growth (DELEG) consists of four major areas:**
  - **Business and Occupational Licensing and Regulation**
  - **Workforce Development**
  - **Workplace Safety and Regulation**
  - **Administrative Services**

# DELEG Responsibilities

- **Business and Occupational Licensing and Regulation**  
Bureau of Commercial Services, Bureau of Construction Codes, Bureau of Fire Services, Liquor Control Commission, Office of Financial and Insurance Regulation, Public Service Commission
- **Workforce Development**  
Bureau of Workforce Transformation, Bureau of Labor Market and Strategic Information, Michigan Rehabilitation Service, Michigan Commission for the Blind, Michigan Commission on Disability Concerns, Michigan Hispanic/Latino Commission
- **Workplace Safety and Regulation**  
Bureau of Employment Relations, Unemployment Insurance Agency, Employment Security Board of Review, Workers' Compensation Agency, WCA Appellate Commission and Board of Magistrates, Wage and Hour Division.

# DELEG Responsibilities

- **Administrative Services**

Office of Communications, Office of Finance and Administrative Services, Office of Audit and Financial Compliance, and Office of Policy and Legislative Affairs

Also coordinates activities with the Office of Internal Audit Services (State Budget Office) and the DTMB-Civil Service Commission.

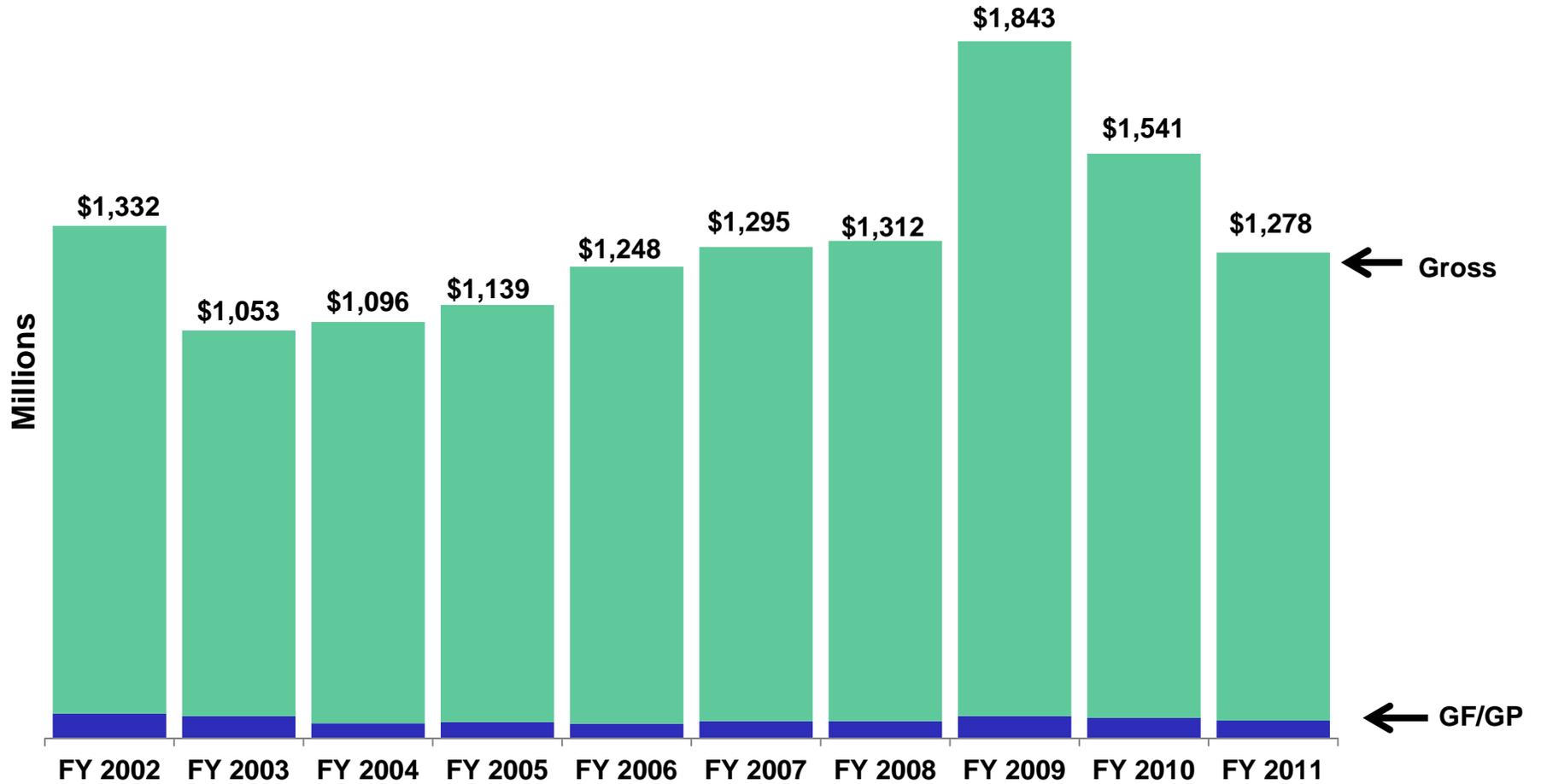
- **Miscellaneous Agencies**

Bureau of Energy Systems, Michigan Tax Tribunal, and the State Office of Administrative Hearings and Rules

# DELEG Appropriations

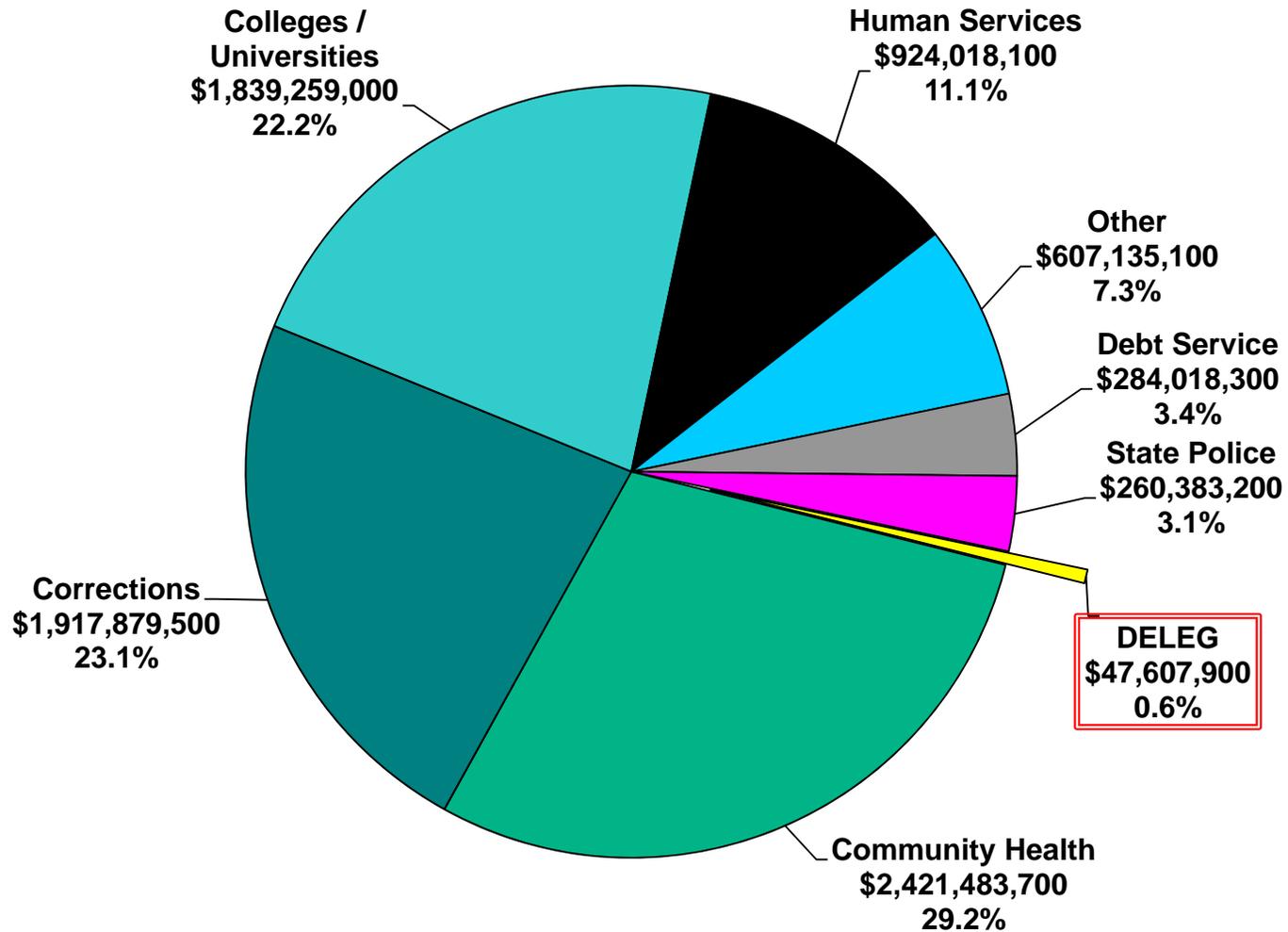
Since FY 2009, GF/GP funding has decreased by 20%.

Changes in Gross Appropriations since FY 2009 due to the receipt of Recovery Act funding.



# DELEG Share of State GF/GP

FY 2010-11 Total = \$8,301,784,800



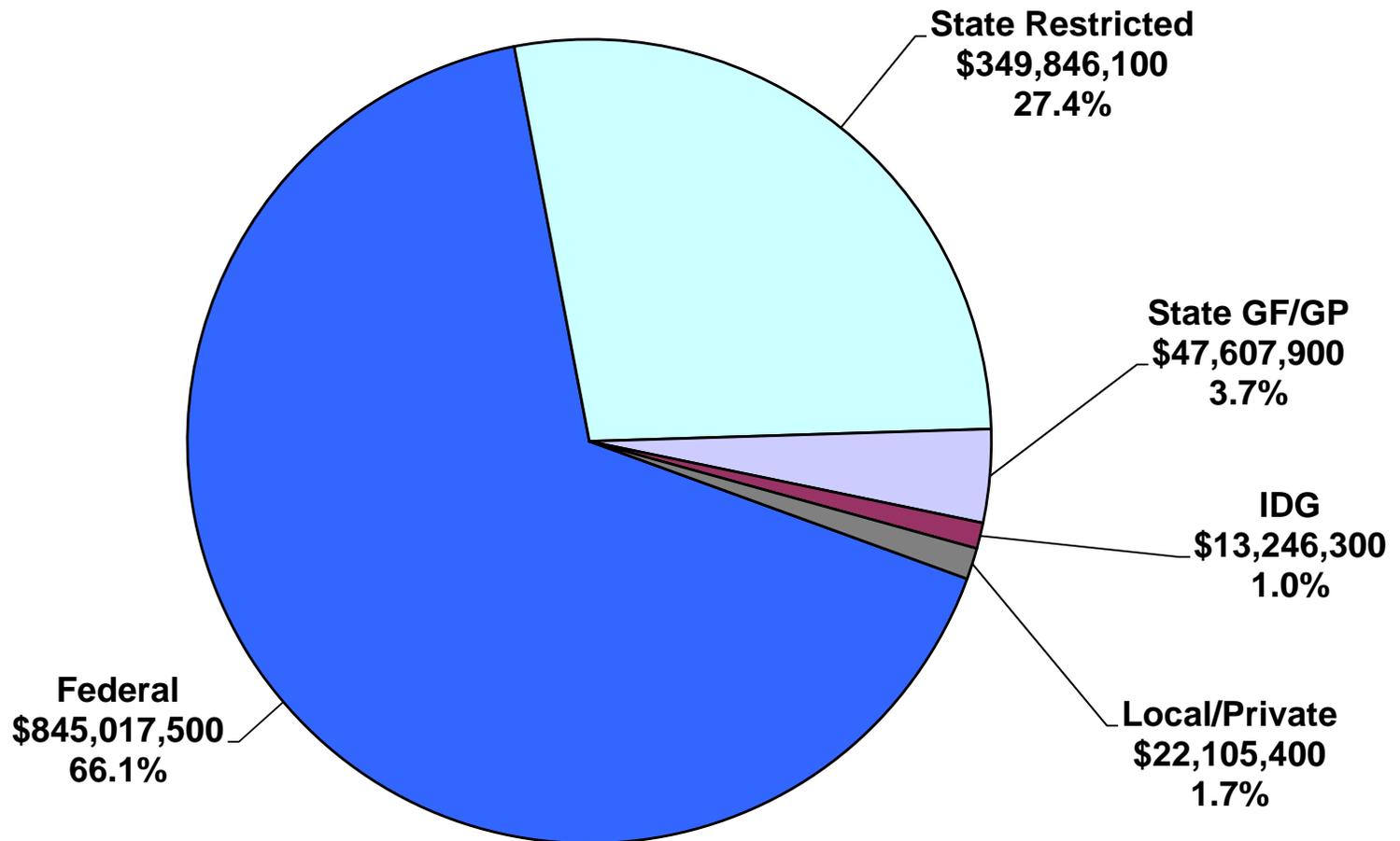
# **SOURCES OF FUNDING**

# DELEG Revenue

- **Most Workforce Development funding is pass-through grant revenue from the federal government.**
- **Predominant regulatory revenue sources are state restricted revenue (e.g., licensing and regulatory fees/assessments) and federal funds.**
- **Most fees have a specific amount set in statute (requiring legislative change), while others (OFIR, MPSC) are adjusted annually based on the cost of administering a program.**
- **Majority of GF/GP funds are used to meet federal match or MOE requirements.**

# DELEG Revenue Sources

FY 2010-11 Appropriation = \$1,277,823,300



# **DEPARTMENT APPROPRIATIONS**

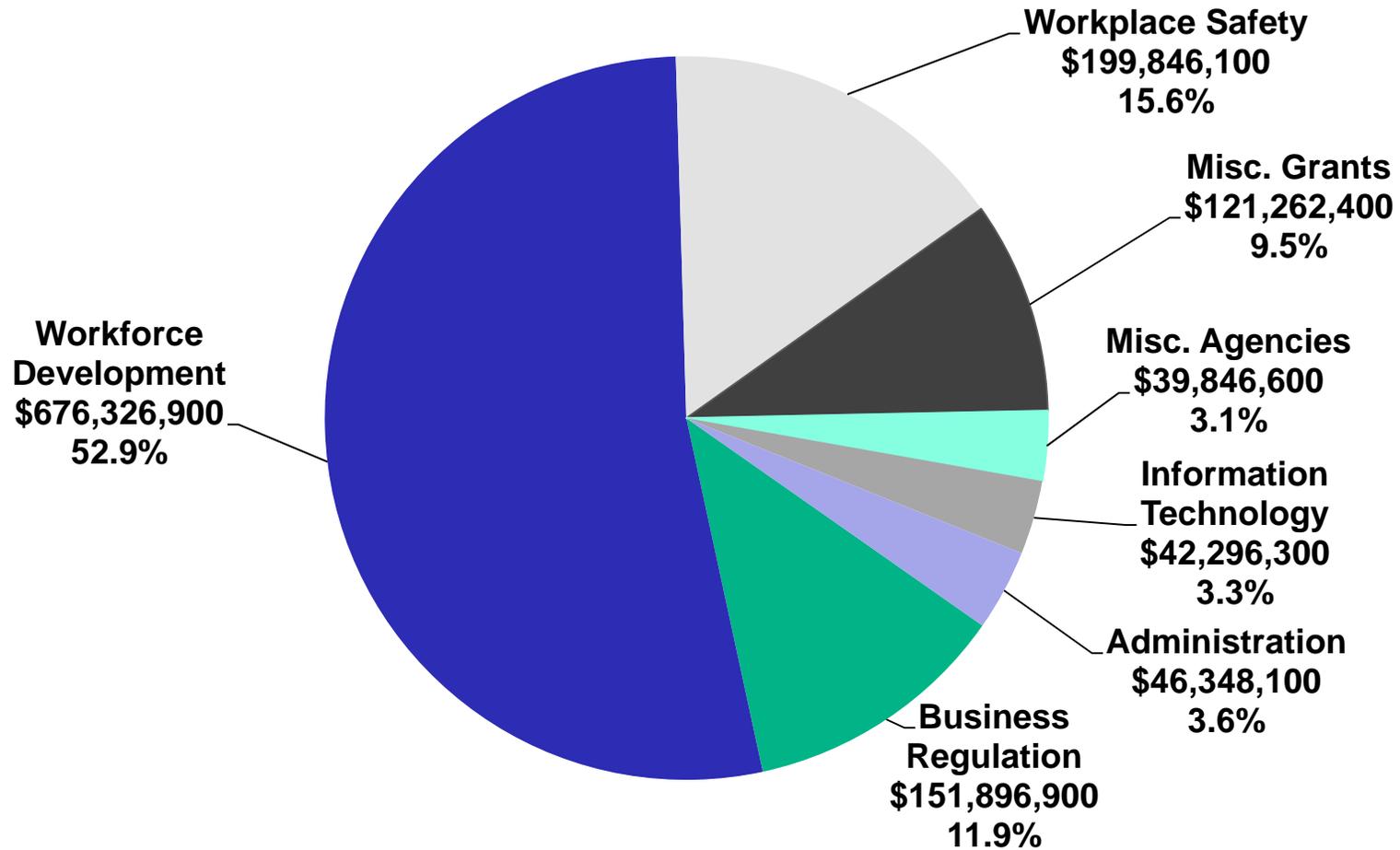
# **DELEG Appropriations**

The DELEG budget is allocated into the following appropriation units:

- **Departmental Administration**
- **Office of Financial and Insurance Regulation**
- **Public Service Commission and Energy Systems**
- **Liquor Control Commission**
- **Occupational Regulation**
- **Michigan Occupational Safety and Health Administration**
- **Bureau of Worker's and Unemployment Compensation**
- **State Office of Administrative Hearings and Rules**
- **Information Technology**
- **Workforce Development**
- **Career Education Programs**
- **Department Grants**
- **Boards, Authorities, and Commissions**
- **Capital Outlay**

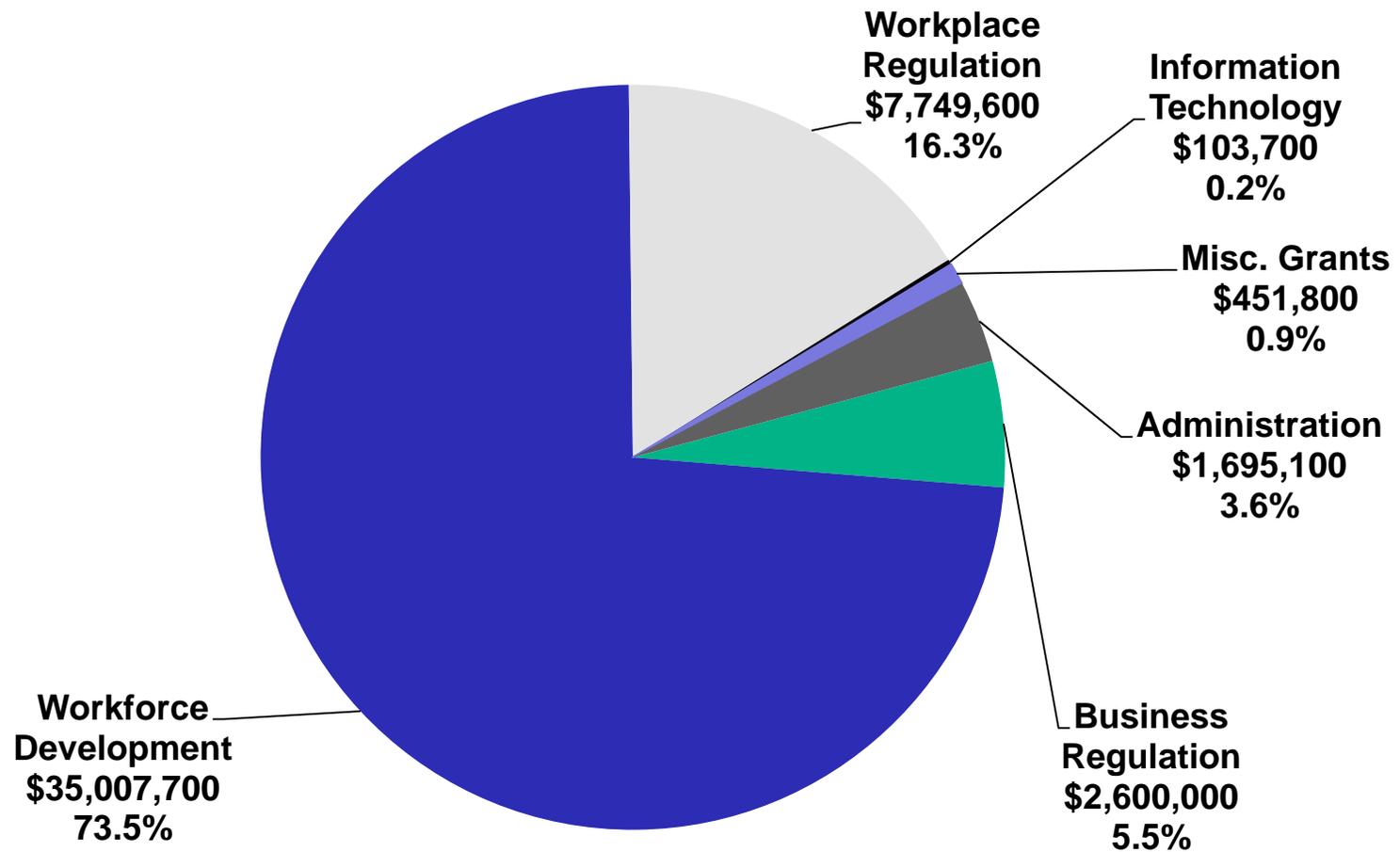
# DELEG Major Spending Categories

FY 2010-11 Total = \$1,277,823,300



# DELEG GF/GP Spending Categories

FY 2010-11 Total = \$47,607,900



# **MAJOR BUDGET ISSUES**

# DELEG Programs

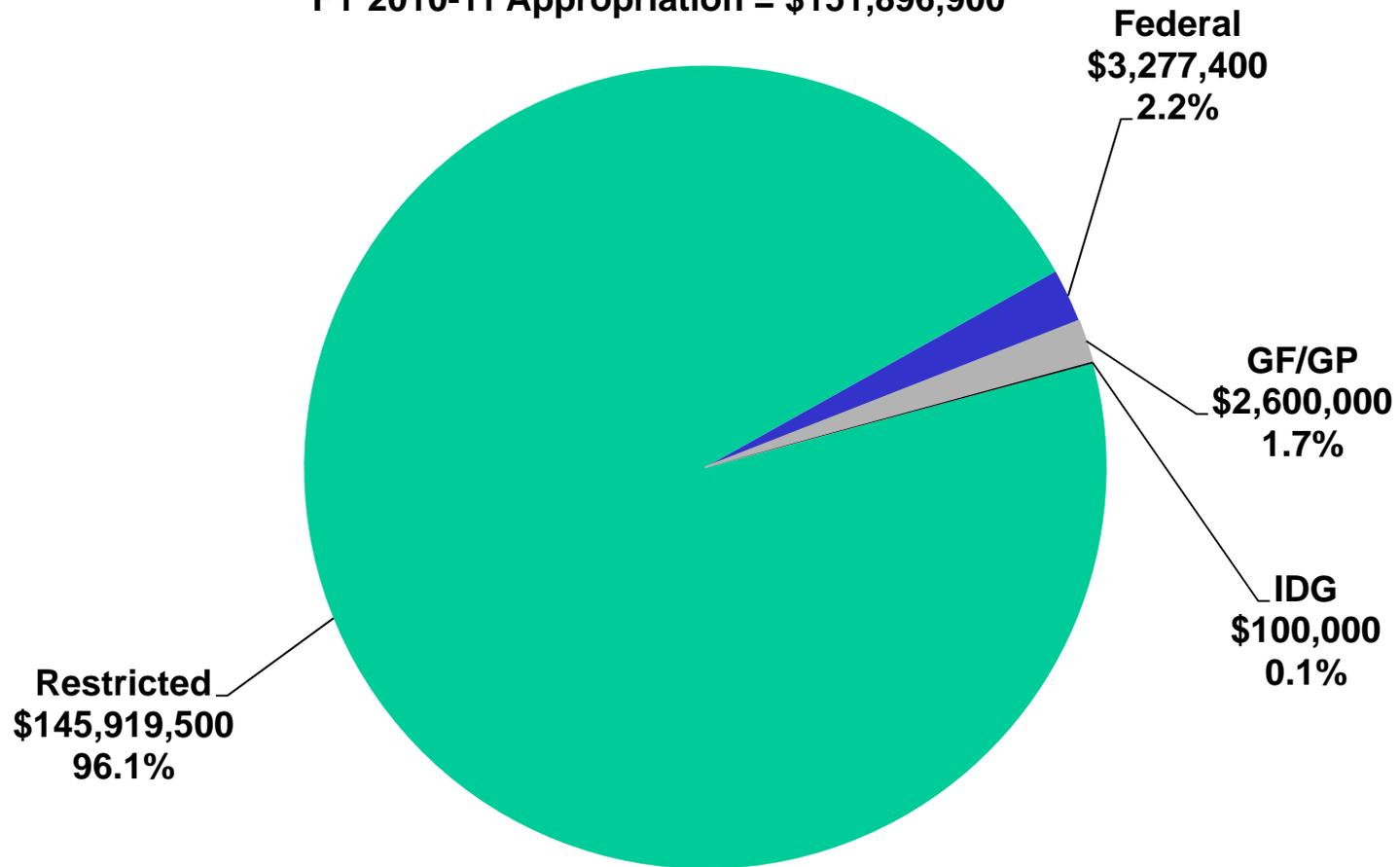
- **Business and Occupational Licensing and Regulation**
  - **Bureau of Commercial Services**  
Licenses and regulates more than 335,000 individual licensees in 31 different commercial occupations; maintains public records of 1.25 million business entities; conducts investigations to ensure consumer protection.
  - **Bureau of Construction Codes**  
Regulates building, boiler, electrical, elevator, mechanical, and plumbing trades; land survey and remonumentation, manufactured housing, plan review.
  - **Bureau of Fire Services**  
Coordinates fire fighter training, plan review and fire safety inspections at state-regulated facilities, certifies fire inspectors and fire alarm/suppression system installers
  - **Liquor Control Commission**  
Regulates the sale of alcoholic liquor in the state through licensing retail establishments, coordinating the sale and distribution of alcoholic liquor, acting as wholesaler of spirits, and enforcing liquor-related statutes.

# DELEG Programs

- **Business and Occupational Licensing and Regulation**
  - **Office of Financial and Insurance Regulation**  
Regulates insurance companies, banks, credit unions, consumer finance lenders, investment advisors, securities agents, health maintenance organizations, and Blue Cross/Blue Shield.
  - **Michigan Public Service Commission**  
Regulates utilities (electricity, natural gas, steam), telecommunications, cable television, and transportation services.

# DELEG Programs

Business and Occupational Regulation  
FY 2010-11 Appropriation = \$151,896,900



# DELEG Programs

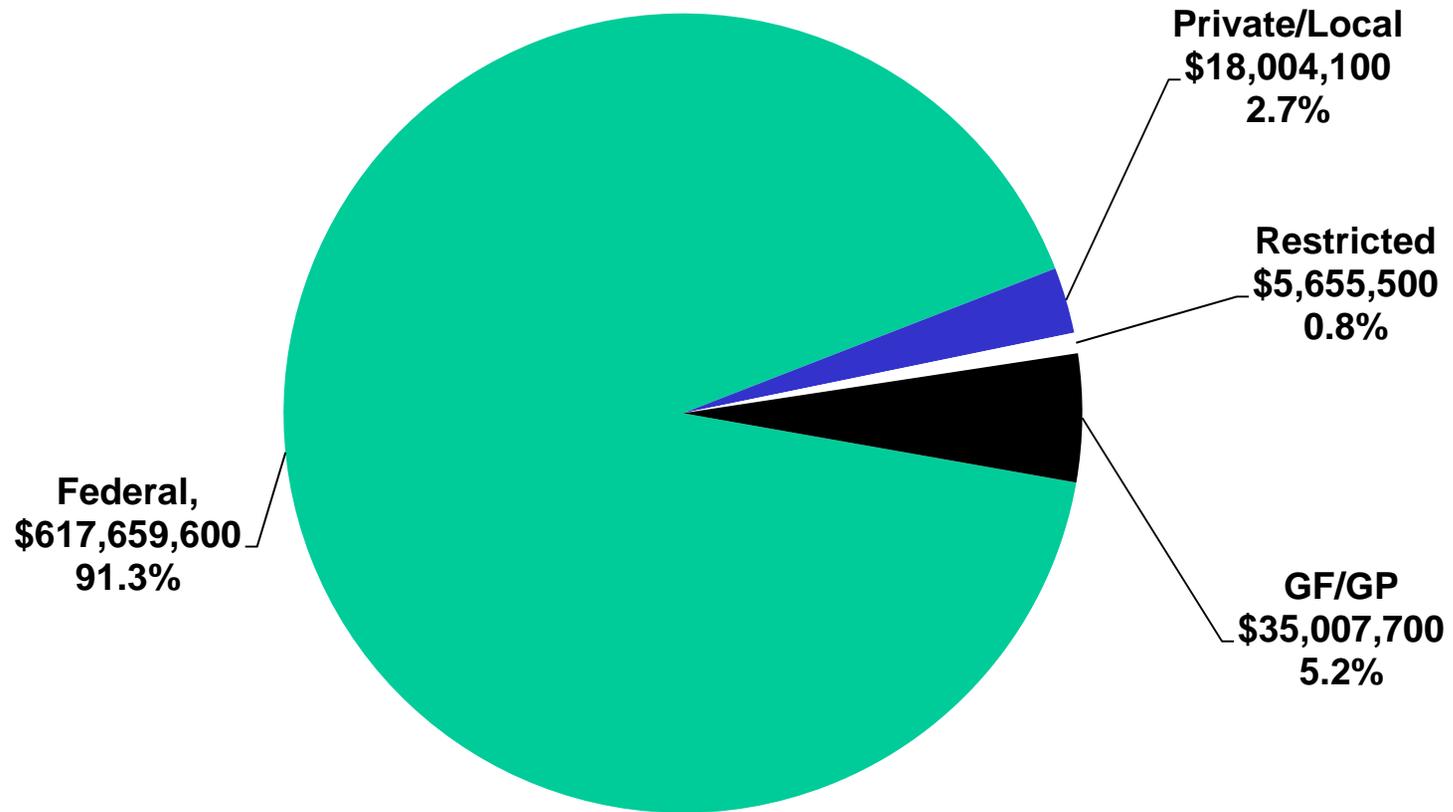
- **Workforce Development**
  - **Bureau of Workforce Transformation**  
Administers job-training programs, including No Worker Left Behind; Jobs, Education, and Training (JET); migrant and seasonal farmworker programs; adult basic education; veterans programs; and the Michigan Talent Bank. Also provides oversight of the community colleges and oversees certain federal grants and other higher education programs. Job-training programs administered locally through 25 Michigan Works! Agencies.
  - **Bureau of Labor Market Information and Strategic Initiatives (LMI)**  
Produces labor market data, including research and analysis of employment, industry, occupational, and wage statistics.
  - **Michigan Rehabilitation Services (MRS)**  
Assists persons with disabilities in achieving employment and independence; operates the Michigan Career and Technical Institute (MCTI).

# DELEG Programs

- **Workforce Development**
  - **Michigan Commission for the Blind (MCB)**  
Assists blind and visually impaired individuals to achieve employment and independence. Provides library services to blind and disabled persons.
  - **Michigan Commission on Disability Concerns**  
Provides training, technical assistance, and advocacy to individuals with disabilities. The Division on Deaf and Hard of Hearing (DDOHH) provides technical support, information and referral services, assist with providing accommodation for deaf and hard of hearing persons, provides interpreter information and services and administers state interpreter tests.
  - **Hispanic/Latino Commission of Michigan**  
Promotes the varied interests of people in Michigan of Hispanic and Latino heritage
  - **Asian Pacific Affairs Commission**  
Promotes the varied interests of people in Michigan of Asian-Pacific heritage

# DELEG Programs

Workforce Development  
FY 2010-11 Appropriation = \$676,326,900

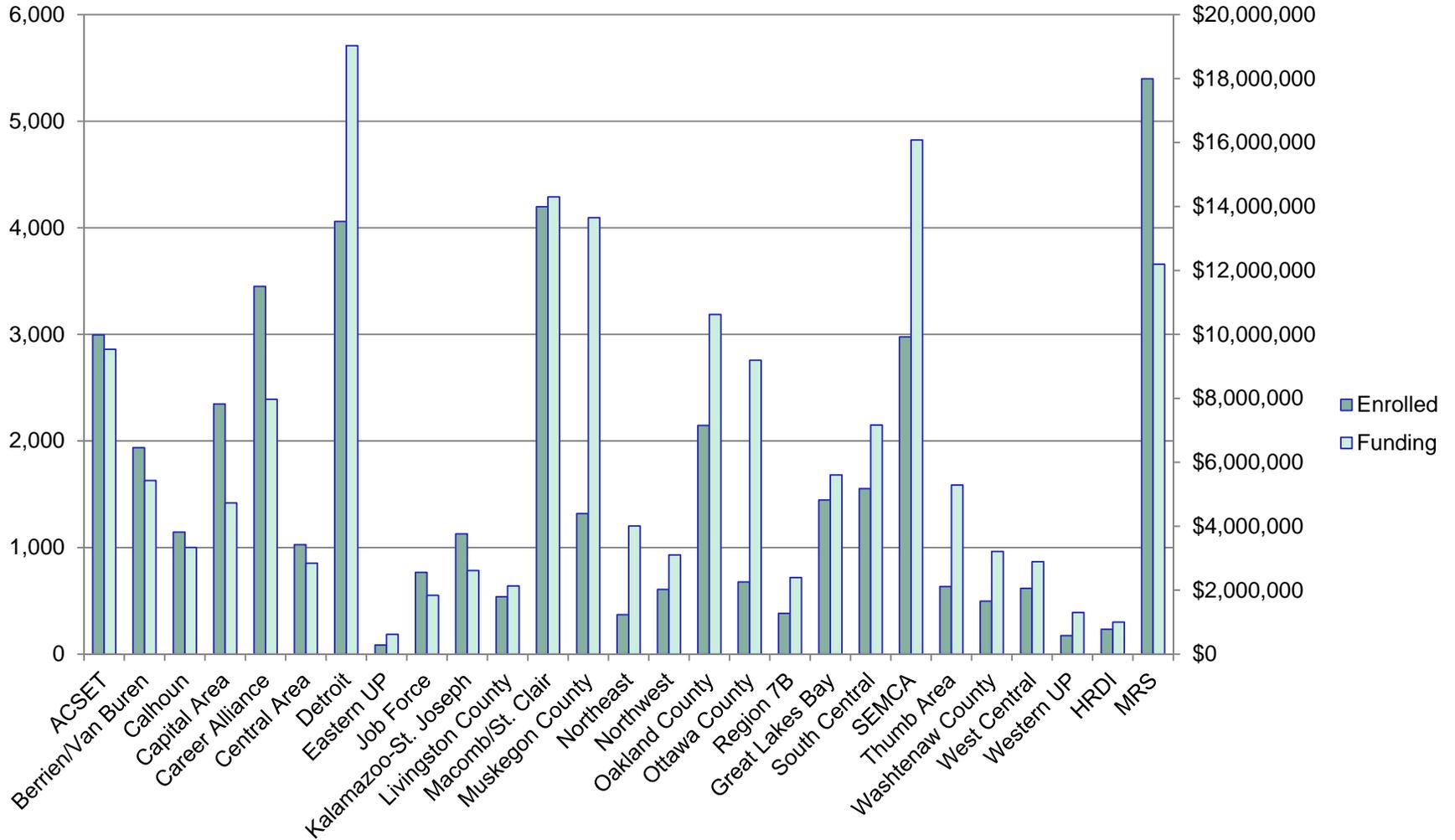


# No Worker Left Behind

- **Program began in August 2007**
  - Greater focus on long-term career training in in-demand/high-growth occupations and entrepreneurship.
  - Provides \$5,000/year for up to two years for tuition at a community college, university, or other approved training program. Eligibility:
    - Individuals currently unemployed
    - Individuals received notice or termination or layoff
    - Employed individuals with family income under \$40,000/year
- **After 3 years**
  - 139,710 enrolled in a training program
    - 72,442 NWLB participants completed training (52%)
    - 45,707 NWLB participants still in training (33%)
    - 21,561 NWLB participants did not complete training (15%)
- **Primarily funded from federal Workforce Investment Act**
  - About 40% of WIA funds can be used for NWLB training
  - Available WIA funding has not enabled DELEG to meet demand (long wait lists).
  - DELEG capped participation in July 2010 by WIA-funded training
  - Continues to enroll participants in training supported by TAA, JET, and MRS

# No Worker Left Behind

## FY 2010 NWLB Participants and Funding



# DELEG Programs

- **Administrative Services**
  - **Office of Audit and Financial Compliance**  
Oversight of DELEG's audit and internal control compliance and fiscal monitoring of the 25 Michigan Works! Agencies.
  - **Office of Communications**  
Serves as the department's public information office, responding to news requests from the media and the public, issues press releases, designs DELEG forms and publications, produces audio and video productions on DELEG programs.
  - **Office of Finance and Administrative Services**  
Accounting services, budget development, procurement services, departmental mail processing and delivery, and telecommunications support.
  - **Office of Policy and Legislative Affairs**  
Acts as DELEG liaison with the Legislature, advocates DELEG position on pending legislation, develops proposed legislation affecting DELEG programs, coordinates rule-making process among DELEG programs.
  - **Departmentwide Expenses**  
Includes department expenses for rent and building occupancy charges, workers' compensation costs, and salaries for unclassified employees.

# DELEG Programs

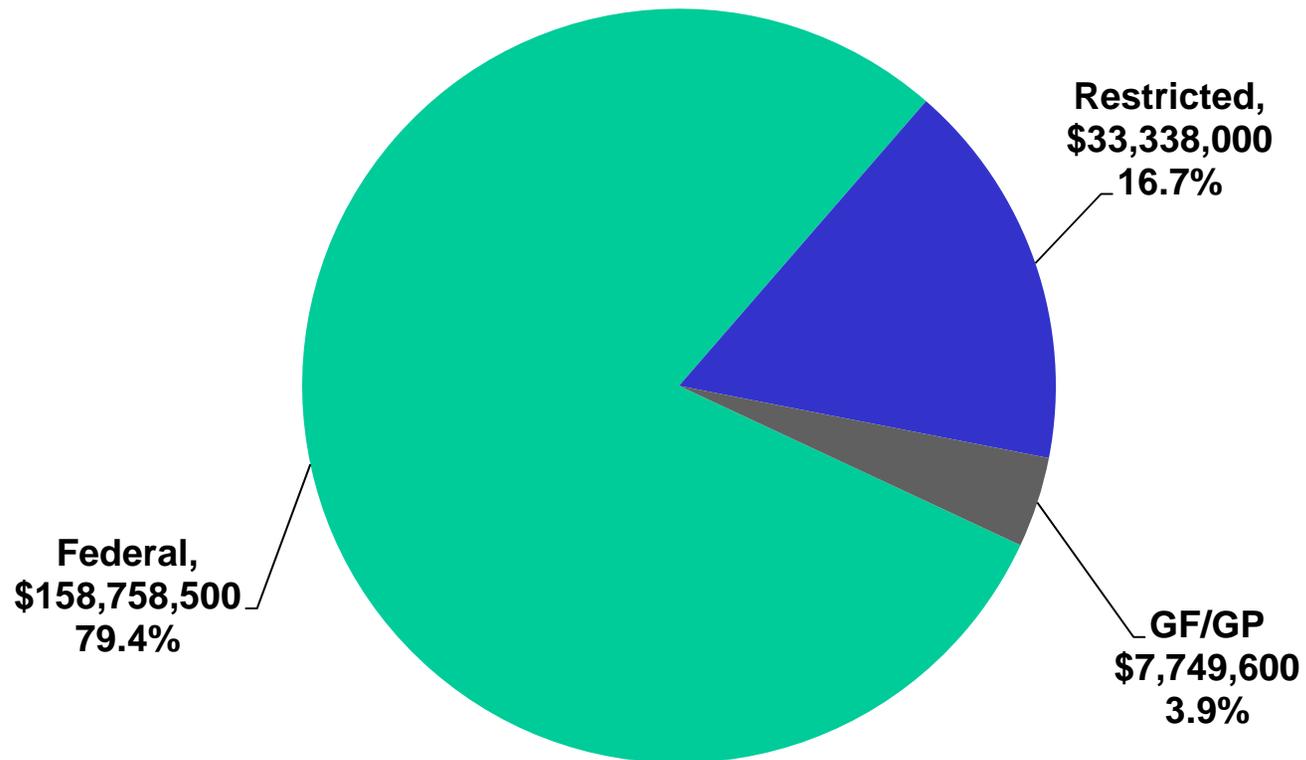
- **Workplace Safety and Regulation**
  - **Workers' Compensation Agency**  
Administers state workers' compensation laws, which provide wage replacement and medical and vocational rehabilitation to individuals suffering work-place injuries and disabilities.
  - **Workers' Compensation Board of Magistrates**  
17-member panel, which resolves disputes involving workers' compensation benefit claims.
  - **Workers' Compensation Appellate Commission**  
Quasi-judicial appellate body which resolves disputes involving workers' compensation benefit claims, hearing appeals of BOM decisions.
  - **Wage and Hour Division**  
Administers and enforces the Payment of Wages and Fringe Benefits Act (1978 PA 390), the Michigan Minimum Wage Act (1964 PA 154), Youth Employment Standards Act (1978 PA 90), and the Prevailing Wage Act (1965 PA 166).

# DELEG Programs

- **Workplace Safety and Regulation**
  - **Bureau of Employment Relations**  
Resolves labor disputes among public and private sector employers, employees and labor organizations, including mediating disputes, appointing fact finders and arbitrators, conducting elections, and administration of Act 312 (binding arbitration for local police/fire).
  - **Michigan Occupational Safety and Health Admin. (MIOSHA)**  
Protects Michigan workers through the development and enforcement of workplace health and safety standards, and providing employers with training on such standards.
  - **Unemployment Insurance Agency (UIA)**  
Administers federal-state unemployment compensation program for displaced workers through collection of taxes on employers and distribution of UI benefit payments to eligible workers.
  - **Michigan Employment Security Board of Review**  
Quasi-judicial appellate body that hears disputes involving UI claims.

# DELEG Programs

Workplace Safety and Regulation  
FY 2010-11 Appropriation = \$199,846,100



# DELEG Programs

- **Michigan Tax Tribunal (MTT)**
  - State tax court with exclusive and original jurisdiction over property tax issues and concurrent jurisdiction (along with the Court of Claims) with other state taxes.
  
- **State Office of Administrative Hearings and Rules**
  - Central state agency conducting quasi-judicial administrative hearings for many state agencies, and coordinating the promulgation of administrative rules by the several departments.
  
- **Bureau of Energy Systems**
  - Promotes the development of renewable energy systems in the state and energy efficiency practices among Michigan residents, businesses, and public institutions.

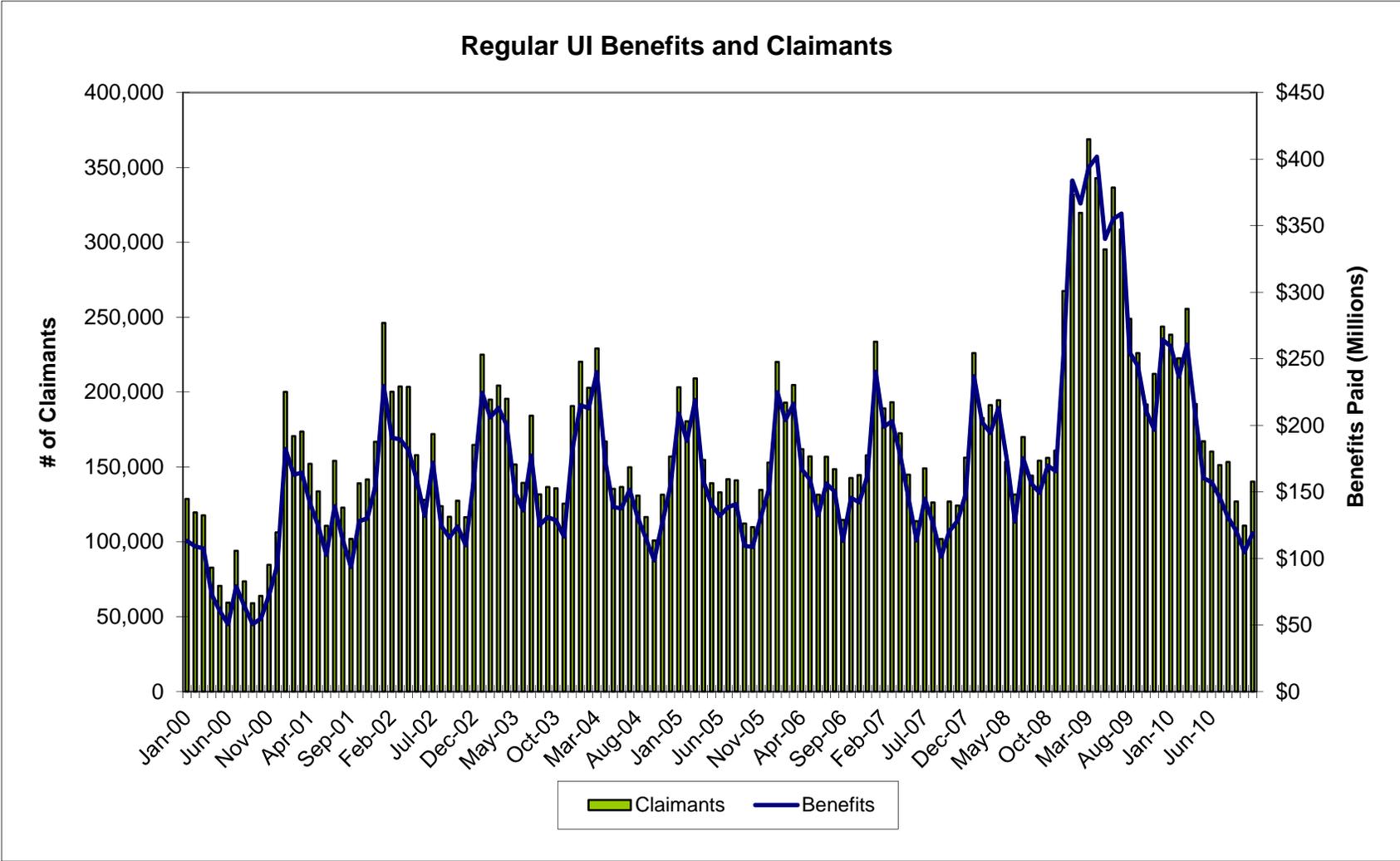
# DELEG Programs

- **Department Grants**
  - **Liquor Law Enforcement Grants**  
Statutory distribution of 55% of retail liquor license revenue to local units with a police force to enforce state liquor laws. (\$6.6 million)
  - **Fire Protection Grants**  
Distributed by formula under 1977 PA 289 to local units that provide fire protection to (tax exempt) state property. (\$10.9 million)
  - **Remonumentation Grants**  
Grants to counties under the Land Survey and Remonumentation Act for identifying and remarking property controlling corners. (\$5.3 million)
  - **Low Income/Energy Efficiency Fund**  
Supported by assessments against Detroit Edison and Consumers Energy gas and electricity consumers, the fund provides grants for low-income energy assistance, low income energy efficiency assistance, and other targeted energy efficiency projects. (\$95 million)
  - **Michigan Nursing Corps**  
Provides grants to state nursing schools to training additional graduate nursing students to serve as future nursing faculty.

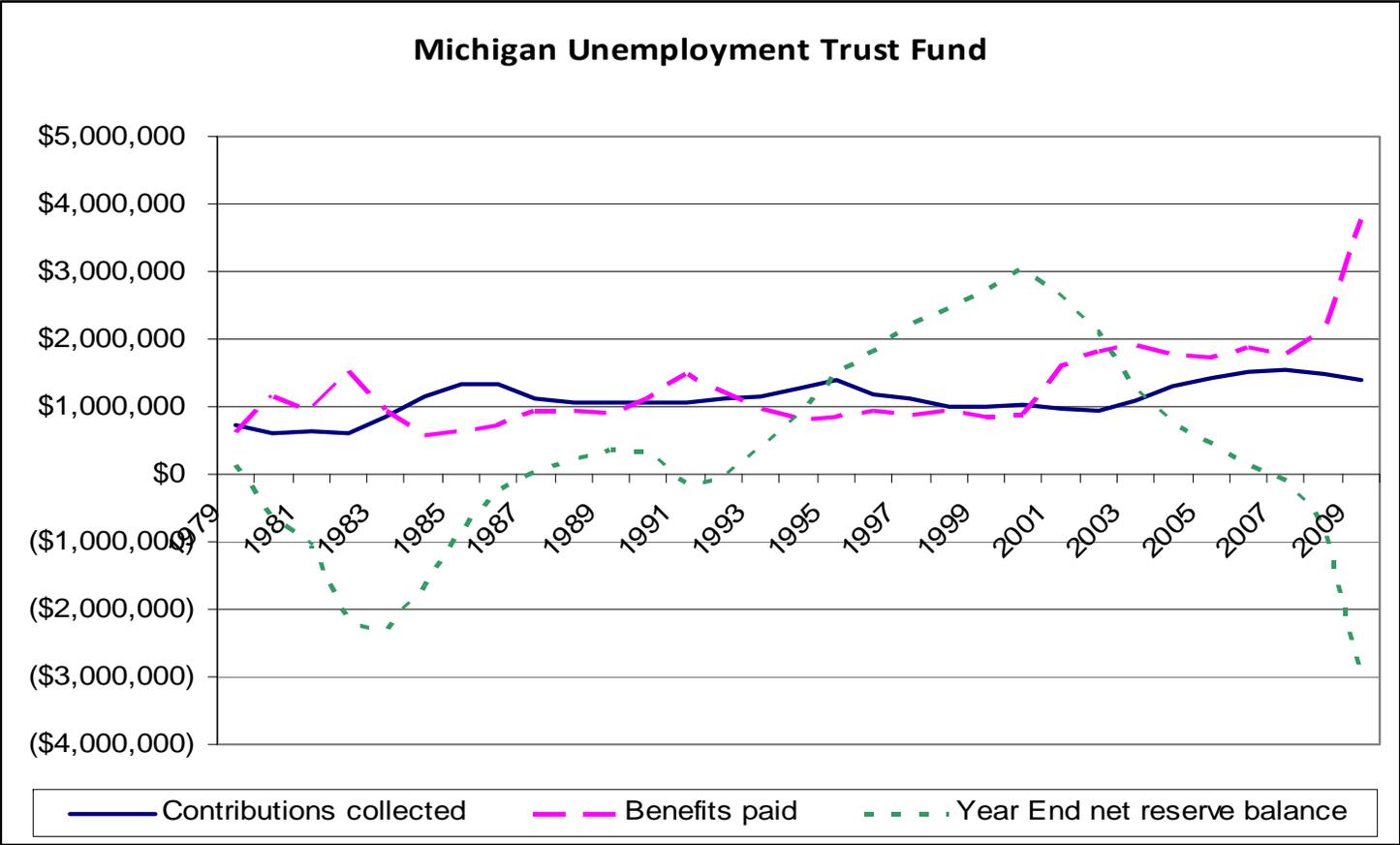
# Michigan Unemployment Trust Fund

- **Layoffs in Michigan have dramatically reduced the Trust Fund Balance from an all-time high of \$3.1 billion in 2000**
- **Current loan balance: \$3.7 billion**
- **Total Regular Benefits Paid:**
  - CY 2008: \$2.2 billion (513,255 1<sup>st</sup> payments)
  - CY 2009: \$3.8 billion (652,819 1<sup>st</sup> payments)
  - CY 2010: \$2.1 billion
- **State UI Tax Contributions:**
  - CY 2008: \$1.5 billion
  - CY 2009: \$1.4 billion
  - CY 2010: \$1.6 billion
- **Continued layoffs pose the biggest threat to the Fund**

# Michigan Unemployment Trust Fund



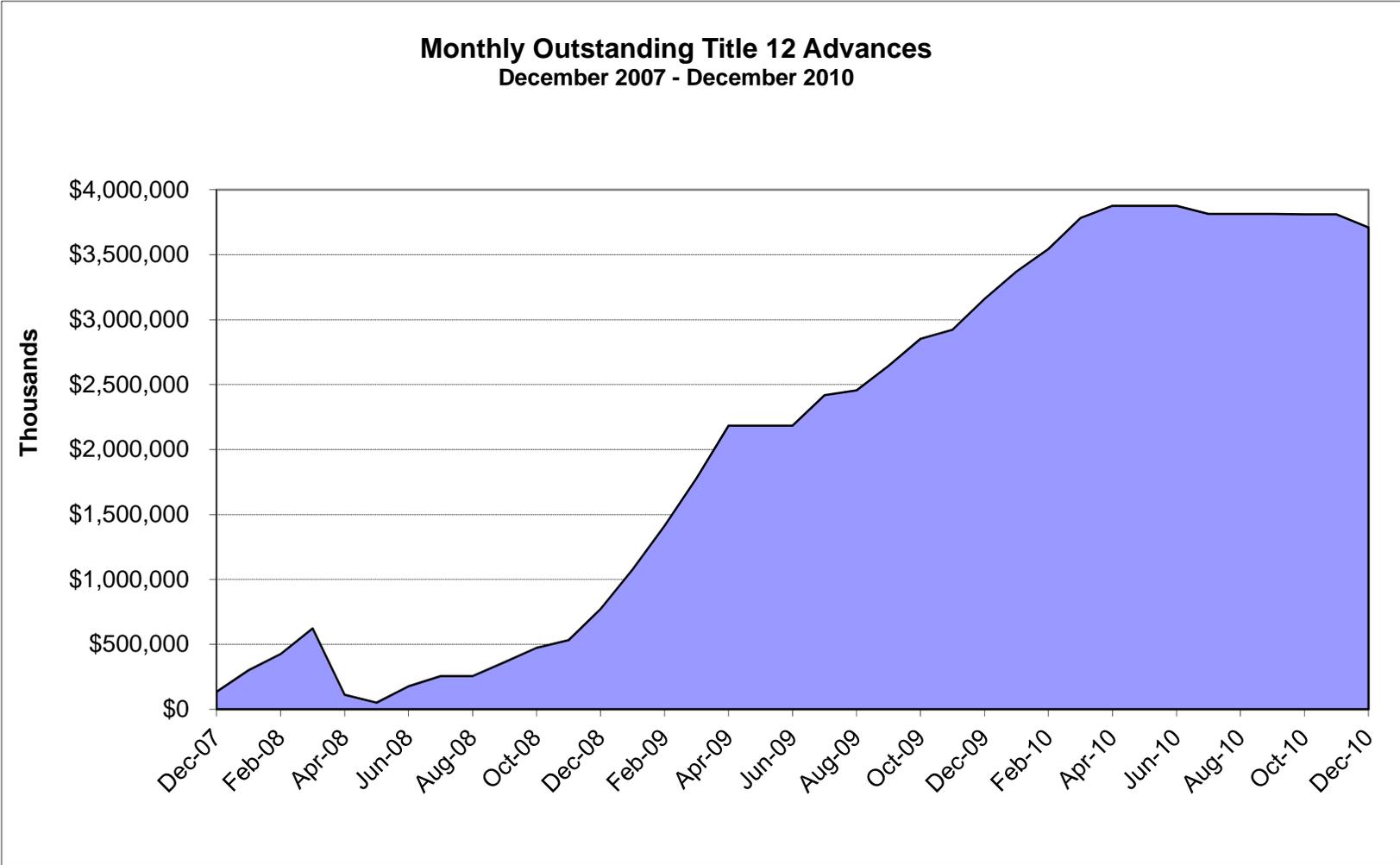
# Michigan Unemployment Trust Fund



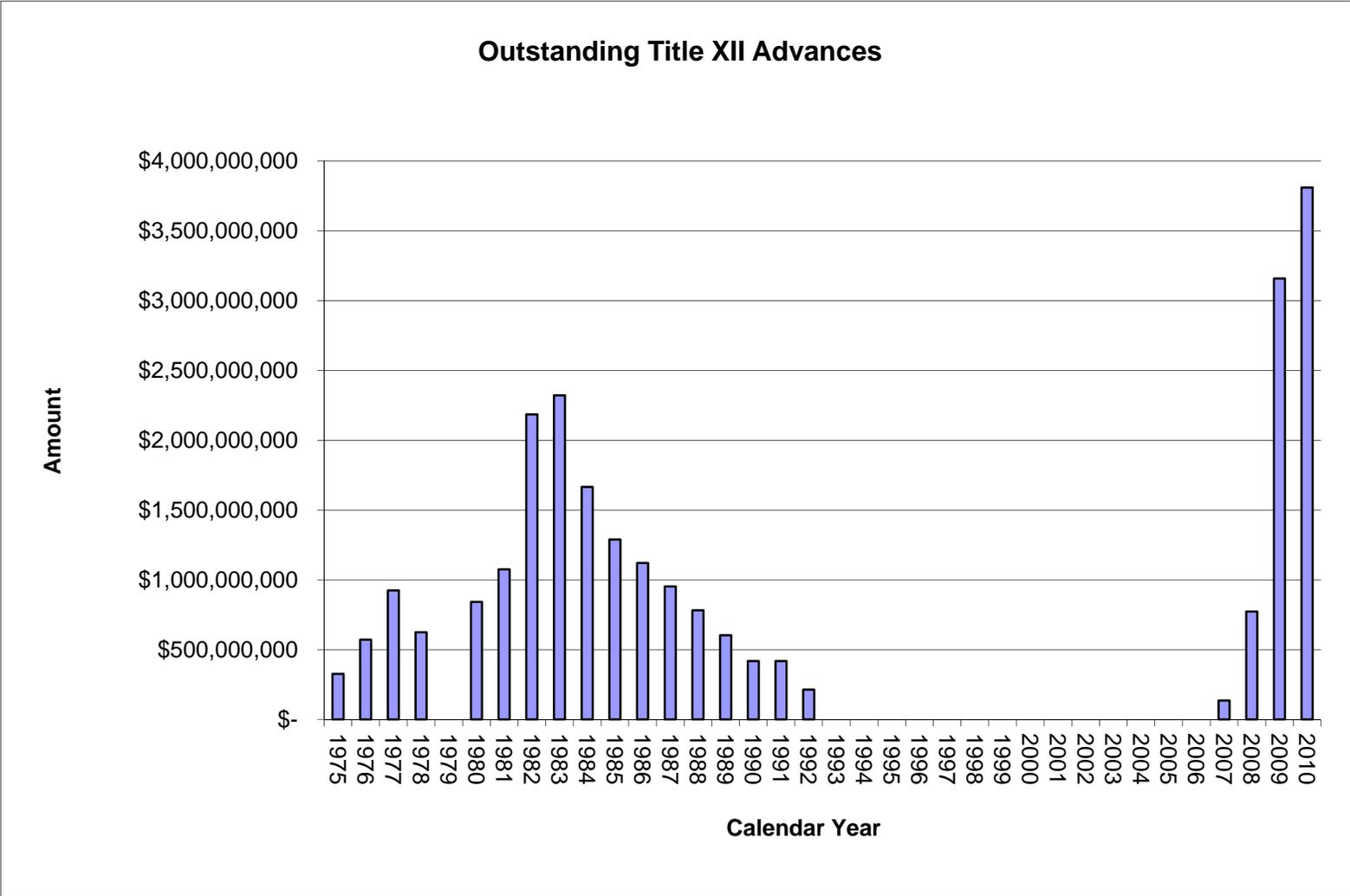
# Michigan Unemployment Trust Fund

- Title 12, SSA allows for loans made to state UI trust funds
- “Cash-flow” loans are interest free
- Long-term loans are interest bearing
- Outstanding Balance: \$3.7 billion (through 12/31/10)
- 31 states have \$40.6 billion in loans outstanding (through 12/31/10 )
- Interest waived under ARRA through December 31, 2010
  - Waiver period not extended by Congress with the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.
  - Interest due by September 30, 2011.

# Michigan Unemployment Trust Fund



# Michigan Unemployment Trust Fund



# Michigan Unemployment Trust Fund

## Immediate Solvency Issues

- **State Solvency Tax: Only to pay interest obligations**
  - **Imposed on “negative balance” employers (approx. 27%)**
  - **Rate: 0.75% (maximum)**
  - **Equals \$67.50 per employee**
  - **Previously in place during the mid-1980s**
  - **Scheduled to take effect on January 2009**
  - **Suspended as long as federal law waives interest on Title 12 advances**
  - **To be re-instated in January 2011**

# Michigan Unemployment Trust Fund

## Immediate Solvency Issues

- **FUTA Credit Reduction: Used to re-pay principal**
  - **Went into effect on January 2009**
  - **Collected beginning in January 2010 FUTA Returns**
    - **Total Amount: \$66.4 million**
  - **Rate increases in yearly increments of 0.3% (\$21/employee)**
  - **Imposed on all contributing employers**
  - **State law provides a 50% credit for “positive balance” employers**

# Michigan Unemployment Trust Fund

## Immediate Budgetary Issues

- **Estimated Interest Liability: \$117.0 million**
- **Estimated Solvency Tax Revenue: \$45.0 million**
- **Shortfall: \$72.0 million**
  - **Estimated Contingent Fund available: \$21.8 million**
  - **Previous fund shifts depleted fund balance**
  - **Potential GF/GP liability: \$50.2 million**
- **Options**
  - **Budget for it amid other budgetary constraints**
  - **Increase the Solvency Tax**
  - **Urge Congress to Extend the Waiver Period**

**For more information about the  
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Economic Growth budget, contact:**

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