



Background Briefing

Licensing and Regulatory Affairs

Paul Holland, Fiscal Analyst

January 2013

The fiscal information in this background briefing is based on data through January 20, 2013.

LARA Overview

The Department of Licensing and Regulatory Affairs (LARA) administers the state's primary regulatory and employment security agencies. LARA is organized into four principal functions:

- Licensing and Regulation, which implements and enforces Michigan laws pertaining to financial and insurance, commercial and occupational, construction and fire safety, healthcare, public utility, and liquor regulations
- Employment Security and Workplace Safety, which administers unemployment insurance, workers' compensation insurance, occupational safety and health, and blind vocational rehabilitation programs
- The Michigan Administrative Hearing System (MAHS), a quasi-judicial agency which centralizes and conducts administrative hearings for agencies throughout state government
- The Office of Regulatory Reinvention (ORR), which oversees administrative rule-making and evaluates the state's regulatory infrastructure

LARA Agencies

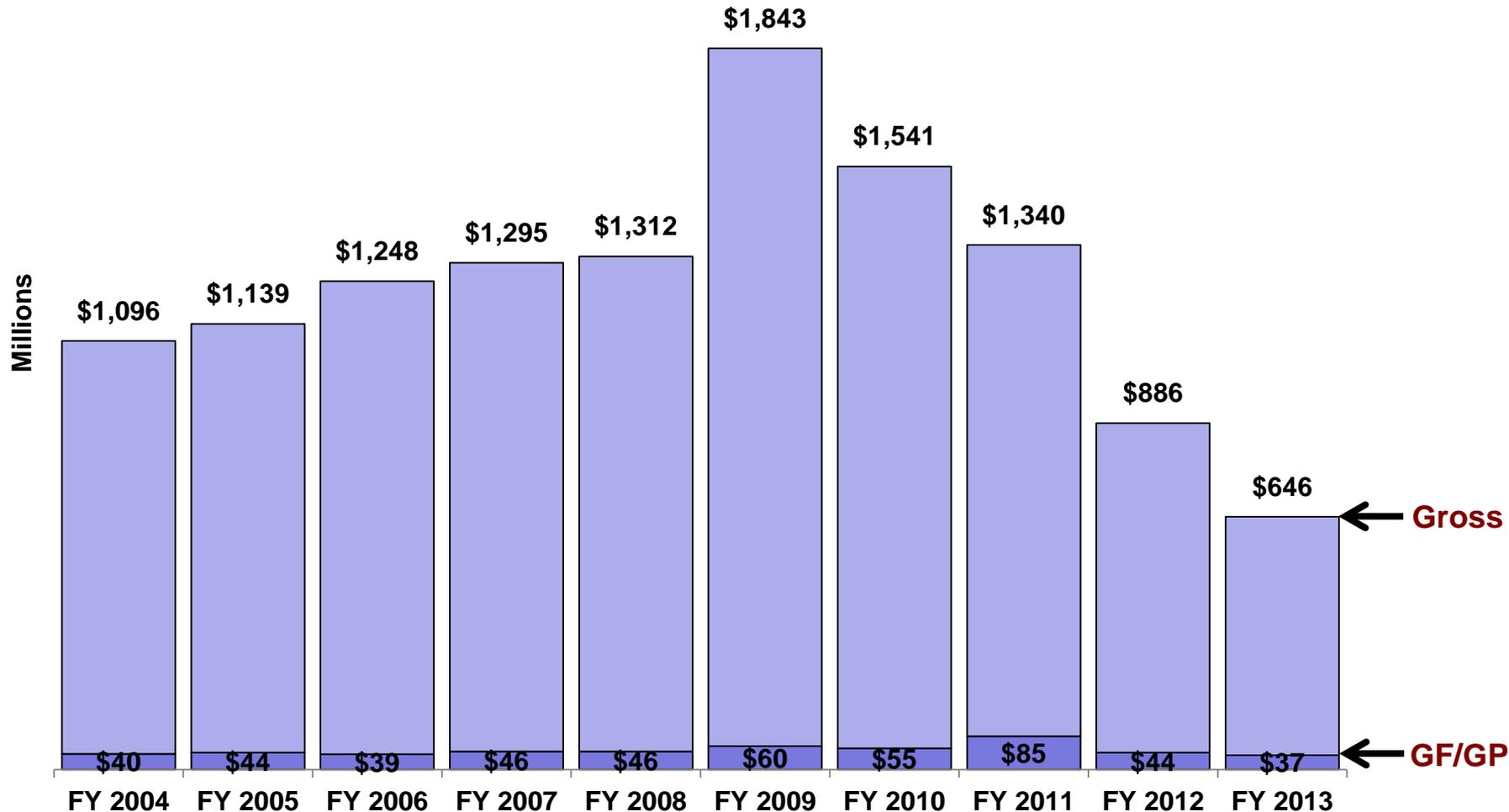
- **Licensing and Regulation**
Office of Financial & Insurance Regulation, Public Service Commission, Liquor Control Commission, Bureau of Commercial Services, Bureau of Construction Codes, Bureau of Fire Services, Bureau of Health Care Services
- **Employment Services and Workplace Safety**
Unemployment Insurance Agency, Workers' Compensation Agency, Michigan Occupational Safety & Health Administration, Bureau of Employment Relations, Bureau of Services for Blind Persons
- **Administrative Rulemaking and Hearings**
Michigan Administrative Hearing System and the Office of Regulatory Reinvention

LARA Historical Appropriations

Substantial decrease in FY 12 due to reorganization of DELEG into LARA.

Substantial decrease in FY 13 due to transfer of MRS to DCH and elimination of the LIEEF grant program.

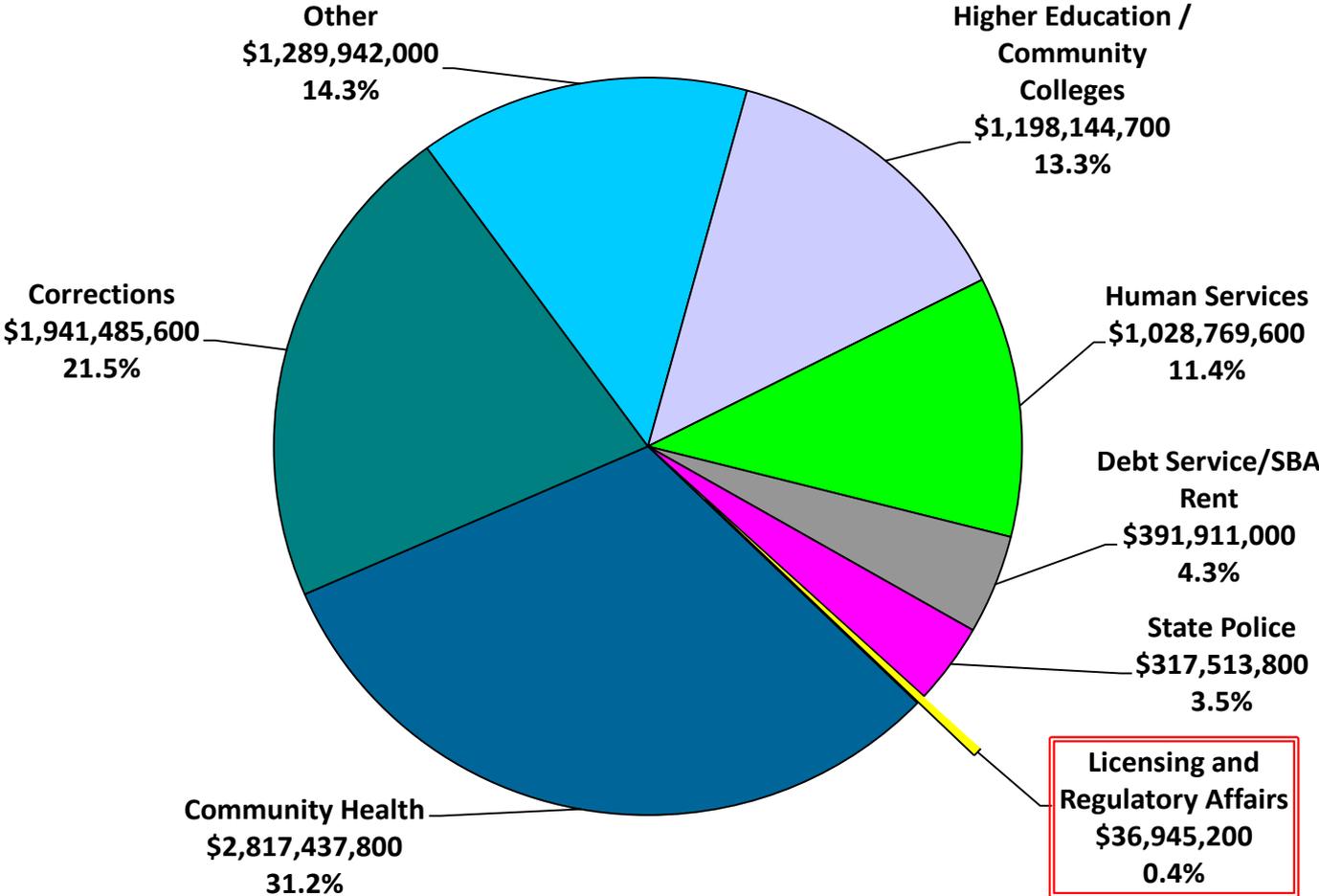
Approximately \$4.5 million in FY 13 is one-time appropriation for lump-sum payment to employees.



LARA Share of State GF/GP

LARA constitutes 0.41% of the total state GF/GP budget

FY 2012-13 Statewide GF/GP Appropriation = \$9,022,149,700

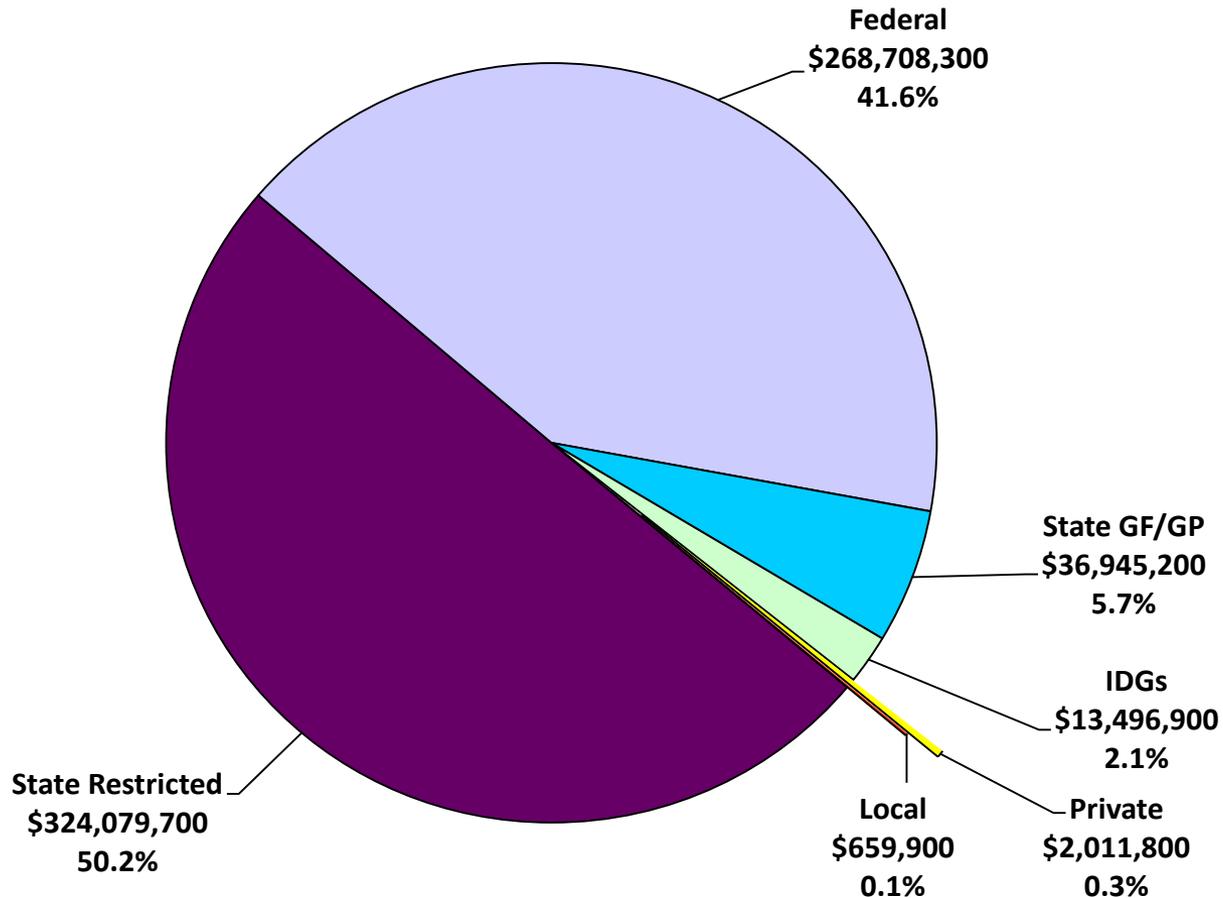


SOURCES OF FUNDING

LARA Funding Sources

State restricted funds (e.g. regulatory fees) constitute 50.2%, federal grants constitute 41.6%, while state GF/GP constitutes 5.7% of LARA revenues

FY 2012-13 LARA Total Appropriation = \$645,901,800



STATE APPROPRIATIONS

LARA Appropriation

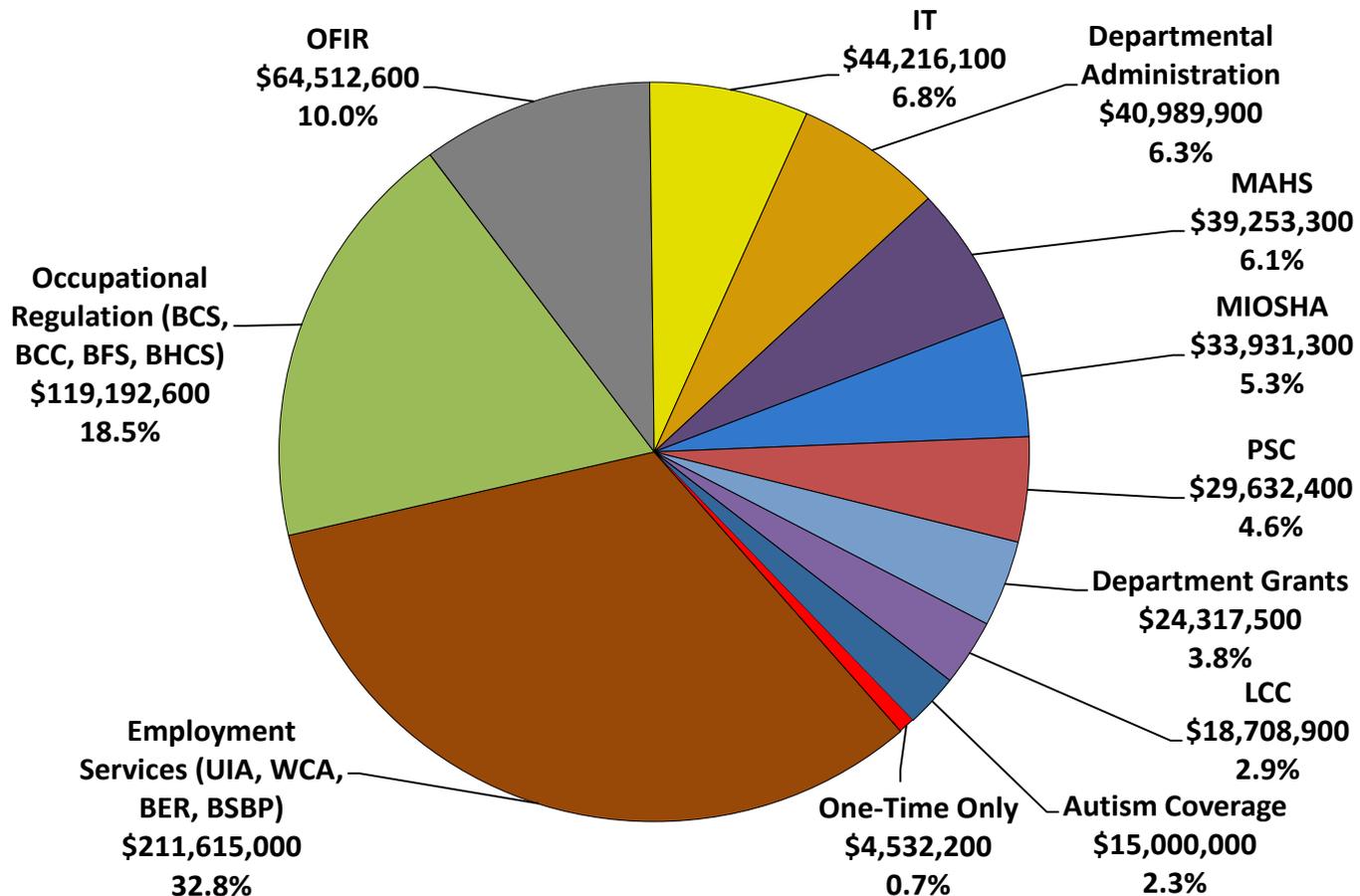
The LARA budget is allocated into these appropriation units:

- Departmental Administration
- Office of Financial and Insurance Regulation (OFIR)
- Public Service Commission and Energy Systems (PSC)
- Liquor Control Commission (LCC)
- Occupational Regulation
- Michigan Occupational Safety and Health Administration (MIOSHA)
- Employment Services
- Michigan Administrative Hearing System (MAHS)
- Information Technology (IT)
- Department Grants
- One-Time Only Basis
- Autism Coverage

LARA Appropriation

Employment Services (32.8%), Occupational Regulation (18.5%), and OFIR (10.0%) together constitute 61.2% of the LARA appropriation

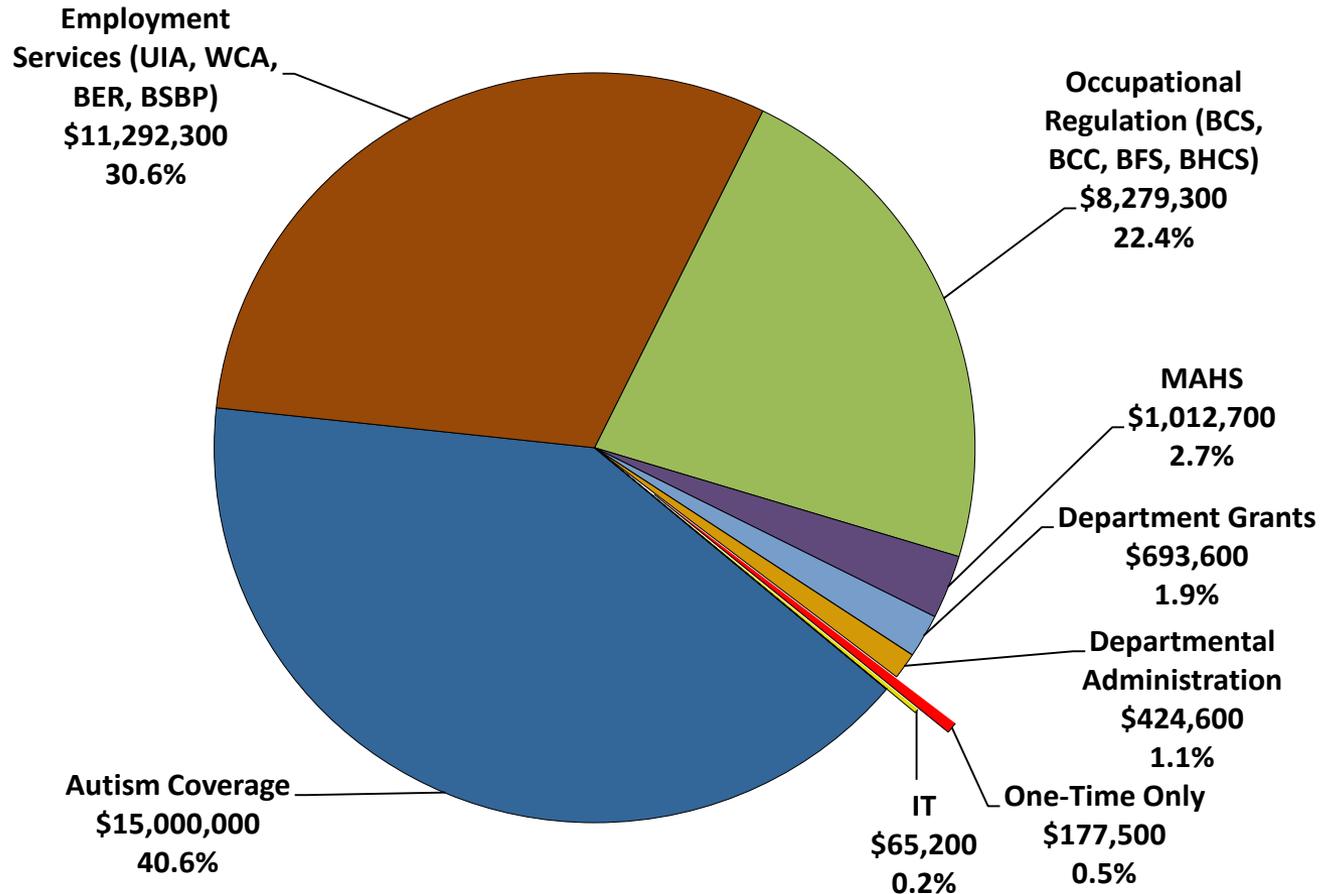
FY 2012-13 LARA Appropriation = \$645,901,800



LARA GF/GP Appropriation

The Autism Coverage Program (40.6%), Employment Services (30.6%), and Occupational Regulation (22.4%) constitute 93.6% of LARA GF/GP appropriation

FY 2012-13 LARA GF/GP Appropriation = \$36,945,200



MAJOR BUDGET ISSUES

LARA Sources of Funding

State Restricted Revenues

Primarily comprised of licensing & regulation fees levied on occupations, entities, and activities regulated under LARA agencies. Also includes public utility assessments, revenue from wholesale liquor sales, & reinsurance funds.

Federal Revenues

Comprised of grants from the Departments of Labor, Health & Human Services, Education, Energy, Transportation, and Homeland Security.

State General Fund Revenue

The state's primary operating fund which does not include restricted revenue.

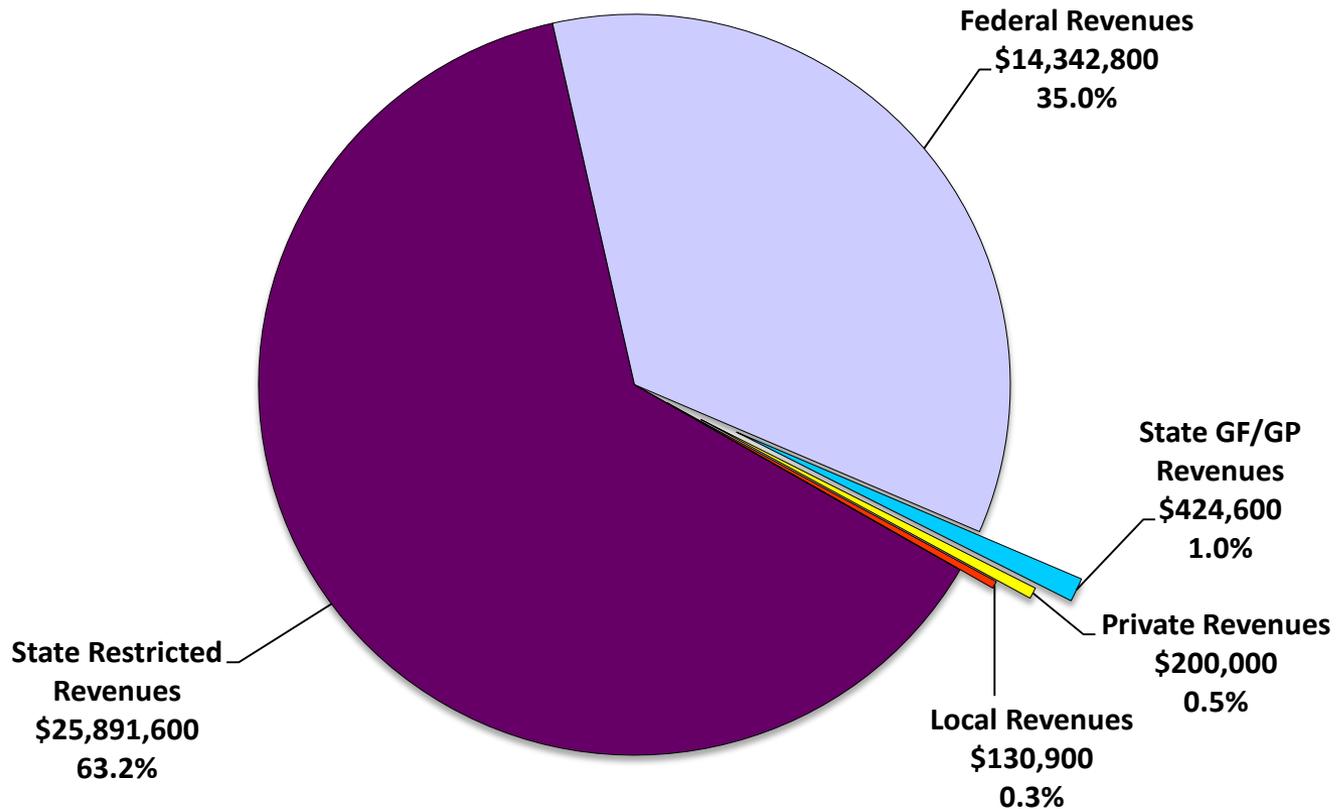
Local and Private Revenues

Grants and gifts used by LARA for match and special projects.

Departmental Administration

Appropriation unit includes support for the executive functions and overhead costs of the various agencies organized within LARA; including funding for the Offices of Communications, Policy and Legislative Affairs (OPLA), Finance and Administrative Services (FAS), and Regulatory Reinvention (ORR), in addition to costs associated with property management, rent, and workers' compensation insurance.

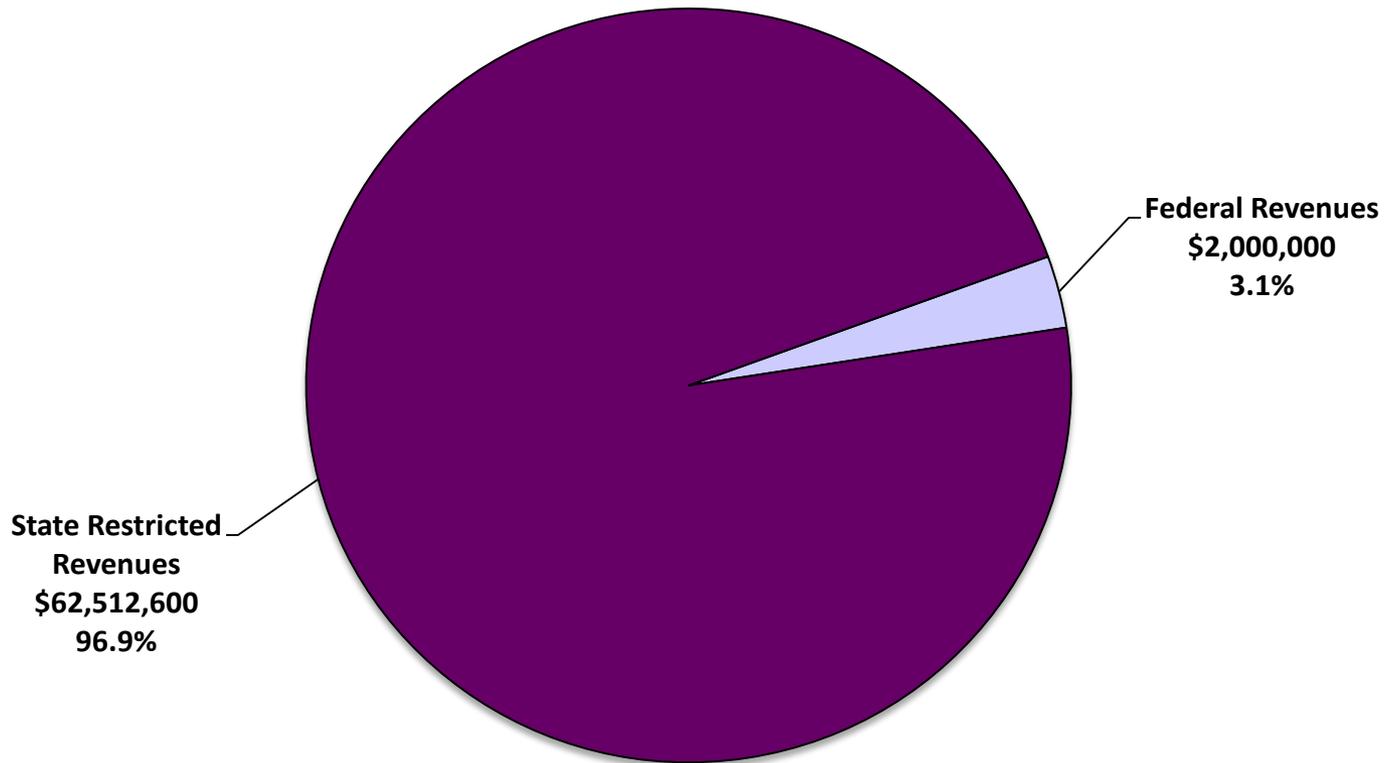
Sources of Funding FY 2012-13 Total = \$40,989,900



Office of Financial & Insurance Regulation

Appropriation unit includes support for the Office of Financial and Insurance Regulation (OFIR) which is the sole state agency responsible for licensing and otherwise regulating the financial and insurance industries, including: state-chartered banks and trusts, credits unions, mortgage lending and consumer finance services, receiverships, insurance companies and agents, health maintenance organizations, and BCBSM.

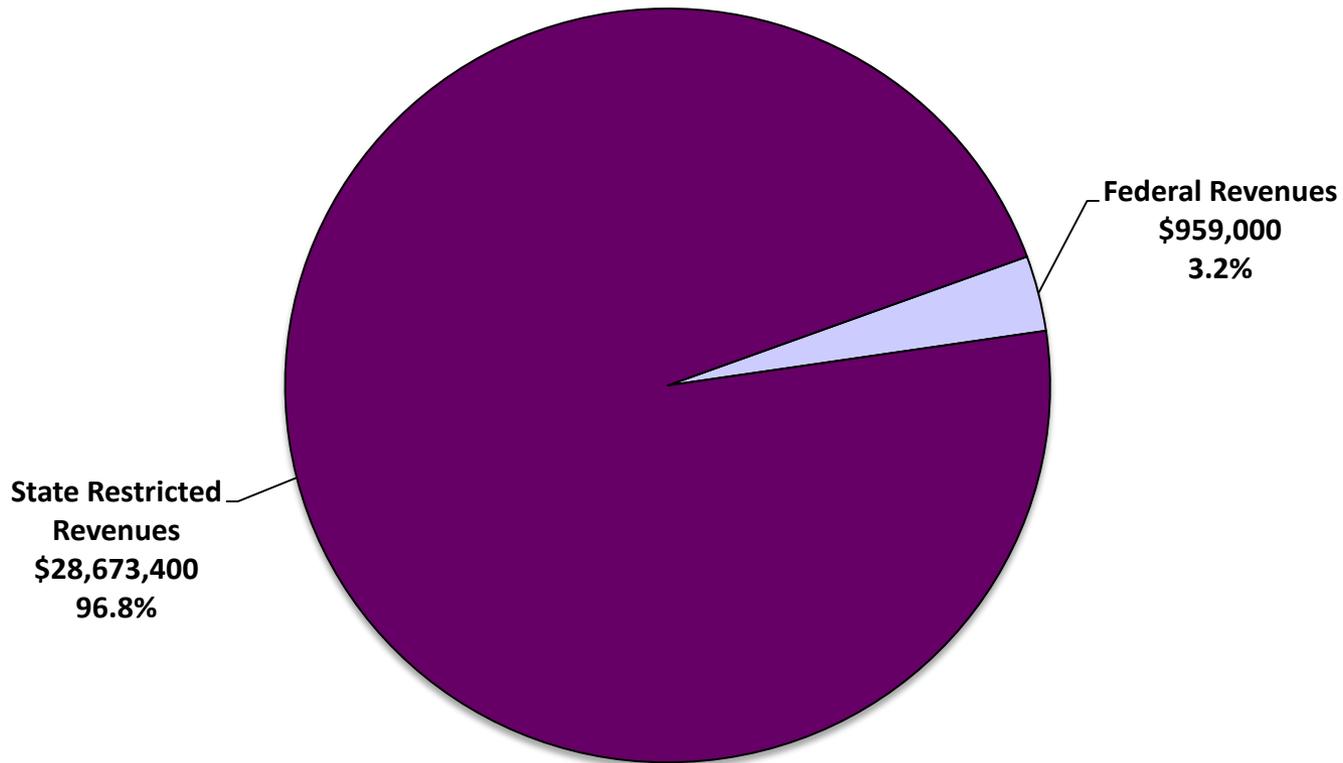
Sources of Funding FY 2012-13 Total = \$64,512,600



Public Service Commission & Energy Systems

Appropriation unit includes support for the Michigan Public Service Commission (PSC) which regulates and establishes rates for investor- and cooperatively-owned natural gas and electricity utility companies, in addition to promoting investment in critical infrastructure and renewable energy. The PSC also regulates aspects of the energy, transportation, cable, and telecommunication industries.

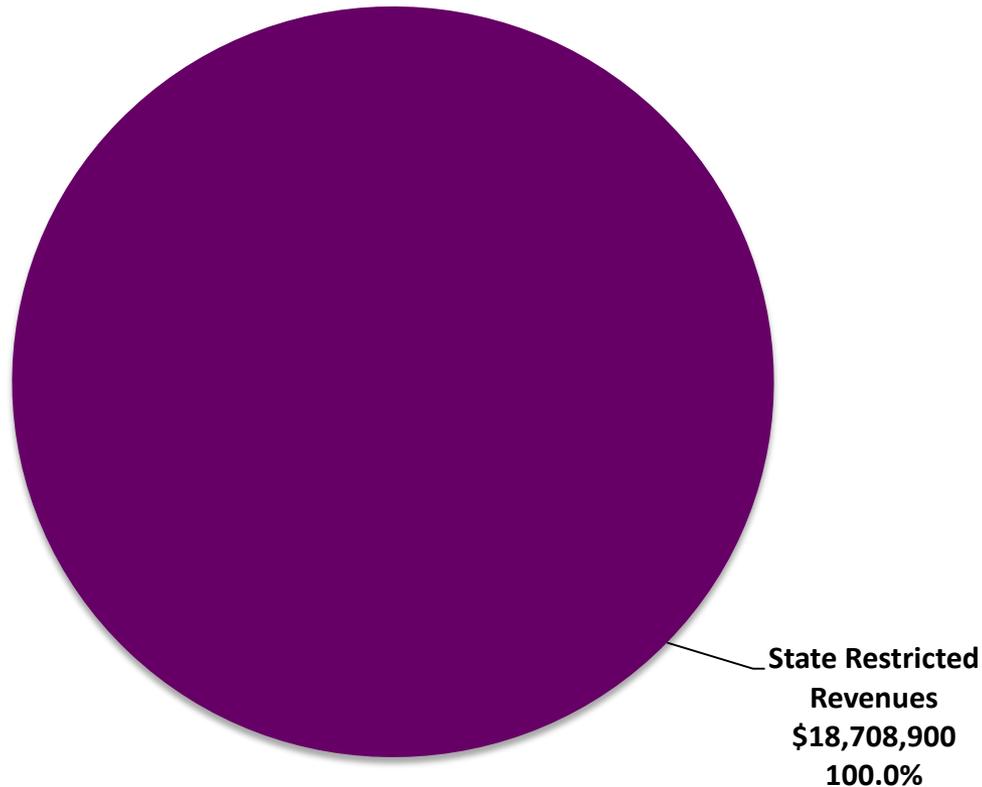
Sources of Funding FY 2012-13 Total = \$29,632,400



Liquor Control Commission

Appropriation unit includes support for the Michigan Liquor Control Commission (LCC) which enforces the Liquor Control Code by regulating the manufacture, distribution, and sale of all alcoholic beverages (beer, wine, spirits) within Michigan via licensing, additionally the LCC is the sole wholesaler of all spirits (alcohol content > 21%) sold within the state.

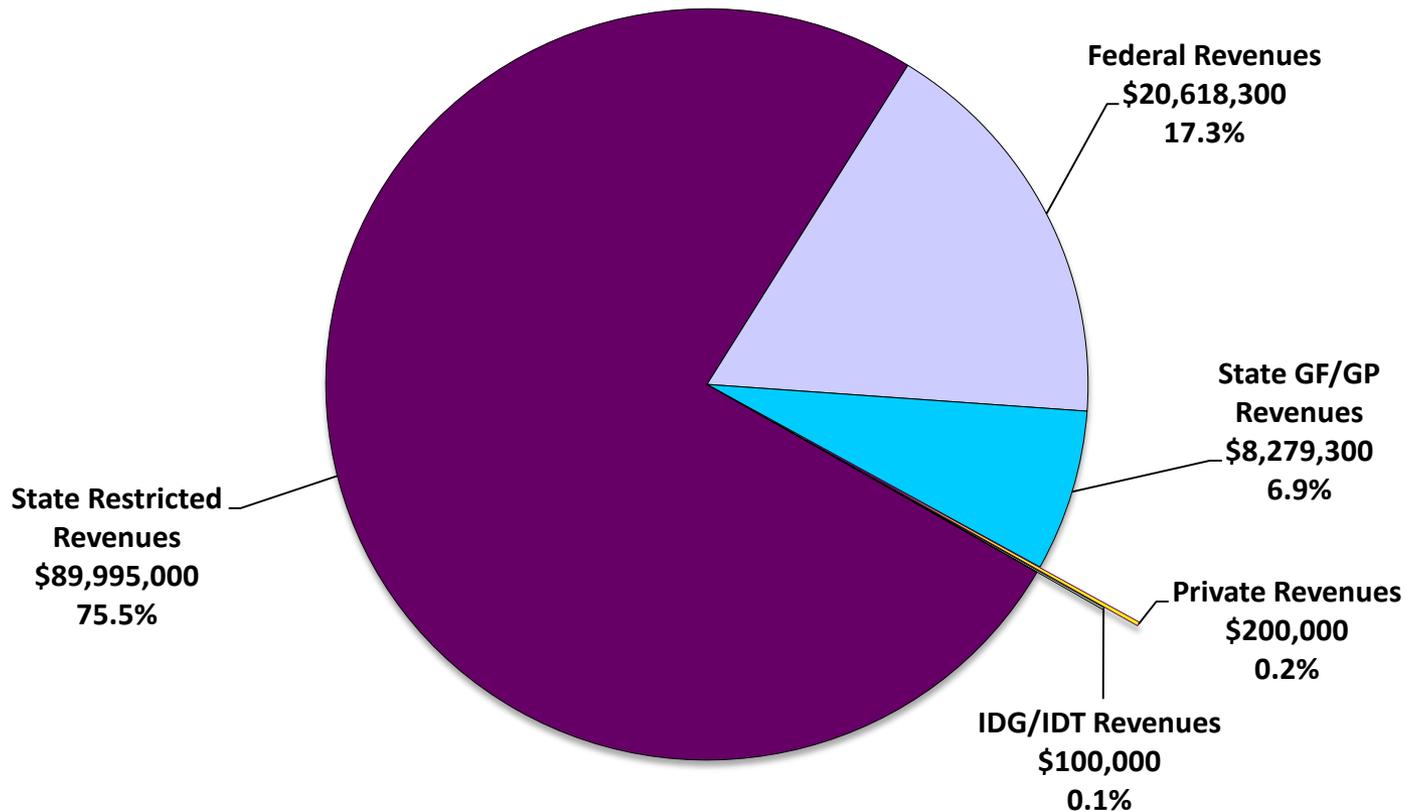
Sources of Funding FY 2012-13 Total = \$18,708,900



Occupational Regulation

Appropriation unit includes support for several agencies which license and otherwise regulate various occupational, commercial, structural, mechanical, and medical activities and entities throughout the state; including the Bureaus of Commercial Services (BCS), Fire Services (BFS), Construction Codes (BCC), Health Care Services (BHCS).

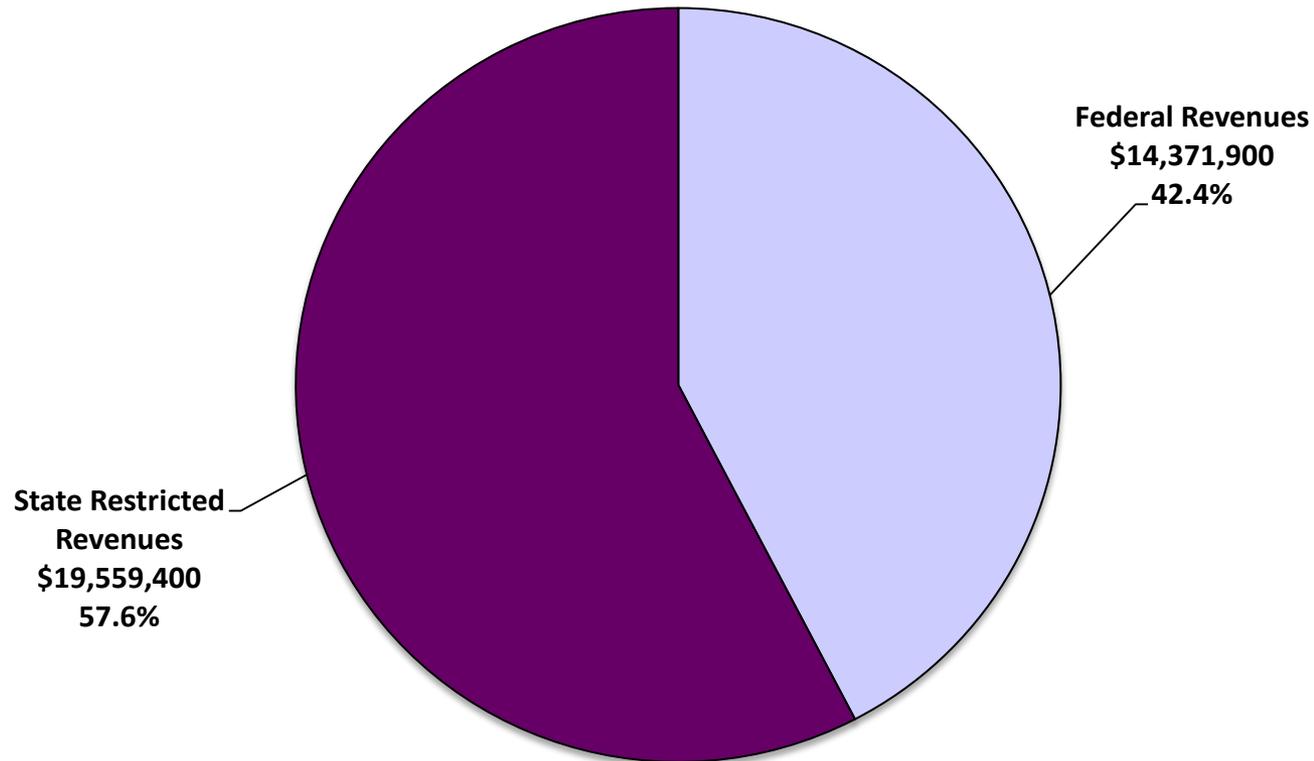
Sources of Funding FY 2012-13 Total = \$119,192,600



Michigan Occupational Safety & Health Administration

Appropriation unit includes support for the Michigan Occupational Safety and Health Administration (MIOSHA) which enforces both federal and state workplace safety standards and develops evaluation and educational programs and the Wage and Hour Division within MIOSHA which enforces state wage and benefit statutes.

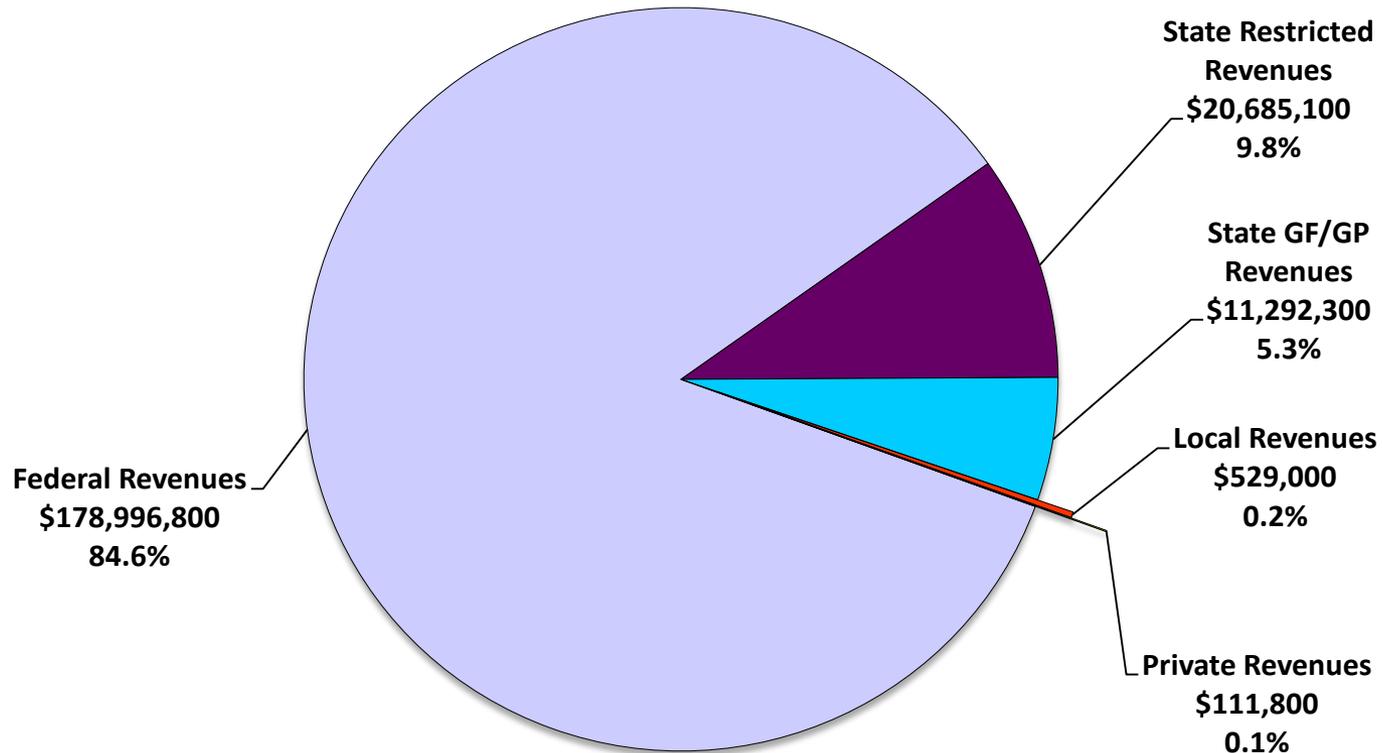
Sources of Funding FY 2012-13 Total = \$33,931,300



Employment Services

Appropriation unit includes support for the Unemployment Insurance Agency (UIA) which administers federal-state unemployment insurance programs, Worker's Compensation Agency (WCA) which oversees workers' compensation insurance compliance and claims, Bureau of Employment (BER) which conducts union elections and resolves labor disputes, and the Bureau of Services for Blind People (BSBP) which provides services to improve opportunities for blind individuals.

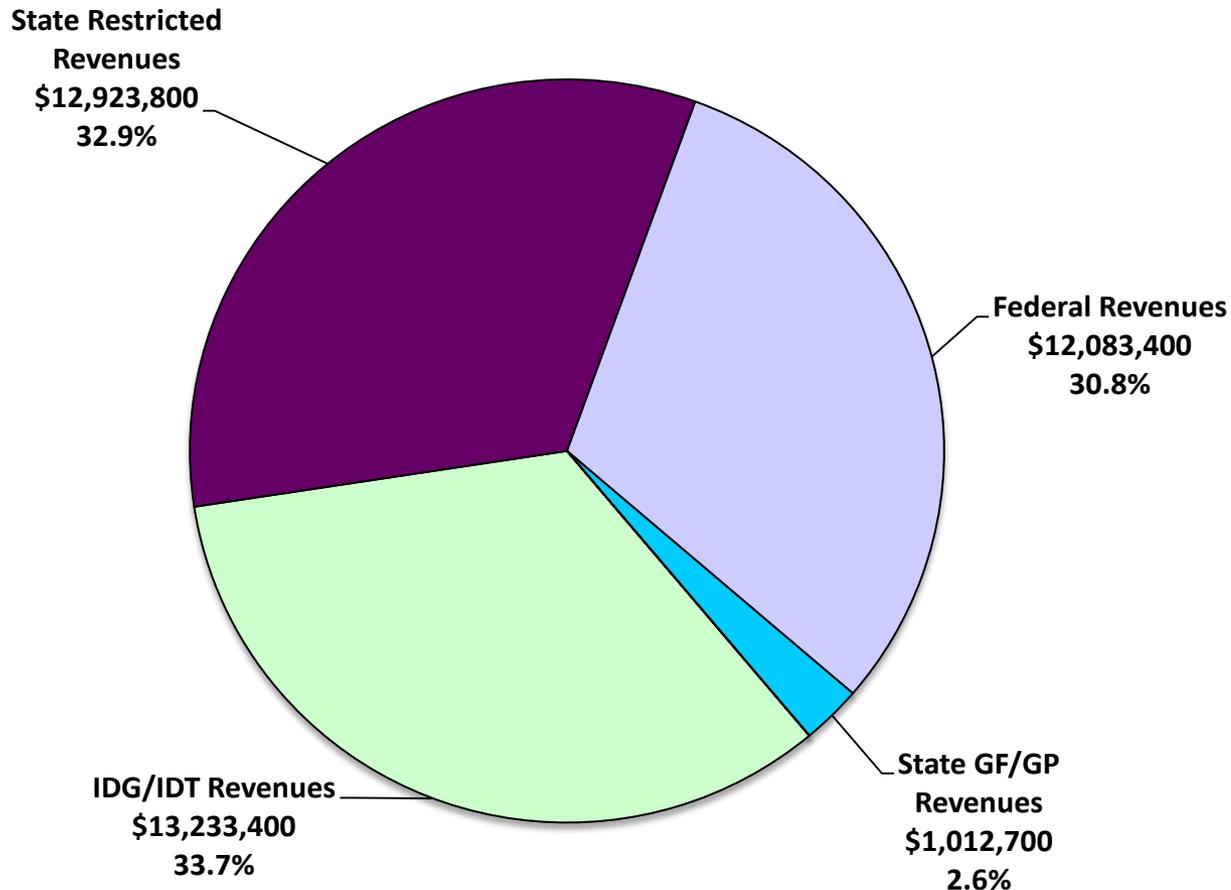
Sources of Funding FY 2012-13 Total = \$211,615,000



Michigan Administrative Hearing System

Appropriation unit includes support for the Michigan Administrative Hearing System (MAHS) which centralizes most administrative hearing functions throughout state government, including the Michigan Compensation Appellate Commission (MCAC) which hears appeals of unemployment insurance and workers' compensation cases.

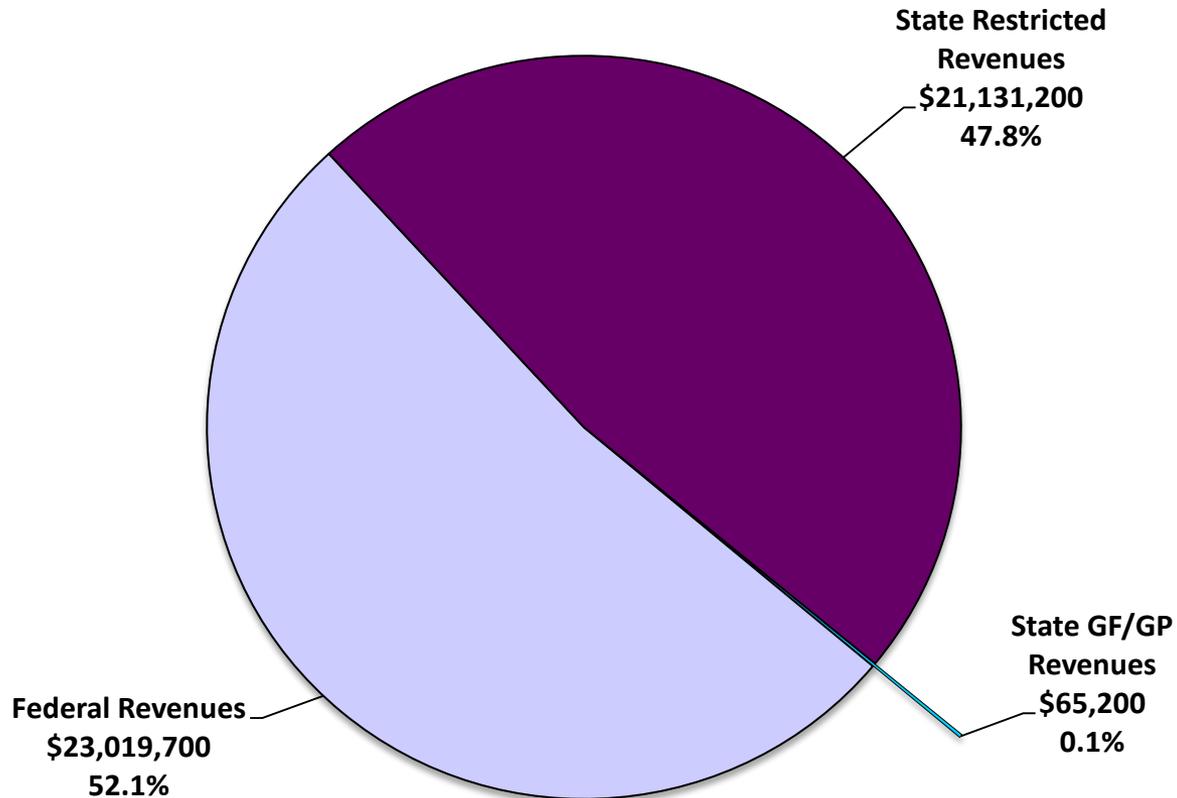
Sources of Funding FY 2012-13 Total = \$39,253,300



Information Technology

Appropriation unit includes support for information technology services and projects within LARA provided by the Department of Technology, Management, and Budget (DTMB).

Sources of Funding FY 2012-13 Total = \$44,216,100

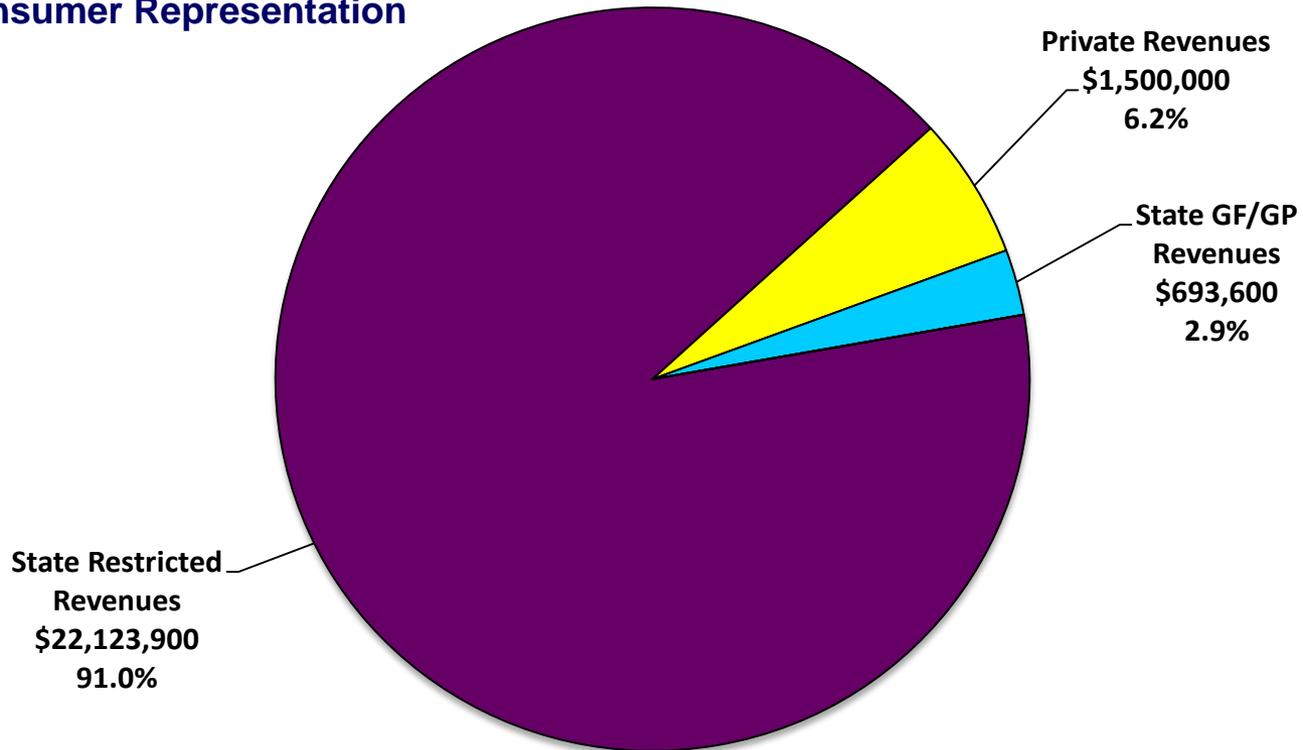


Department Grants

Appropriation unit includes support for various state grant programs administered by agencies within LARA, specifically:

- Fire Protection Grants
- Liquor Law Enforcement Grants
- Remonumentation Grants
- Subregional Libraries State Aid
- Youth Low-Vision Program
- Utility Consumer Representation

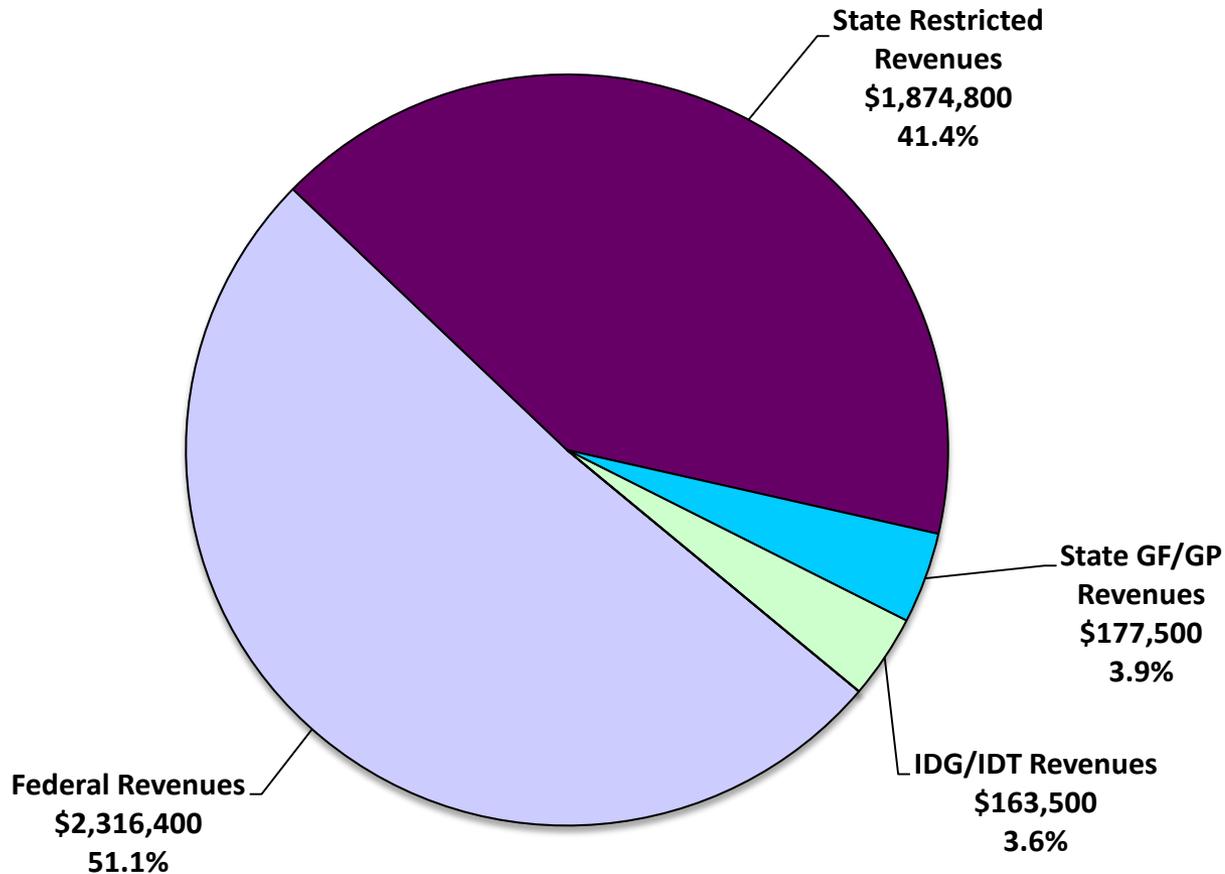
Sources of Funding
FY 2012-13 Total = \$24,317,500



One-Time Basis Only Appropriations

Appropriation unit includes all FY 2012-13 appropriations which are intended by the Legislature to be one-time allocations that will not be reauthorized in future fiscal years. Supports negotiated lump sum payments to state classified employees equal to 1% of annual salary for unionized employees and 2% of annual salary for non-unionized employees.

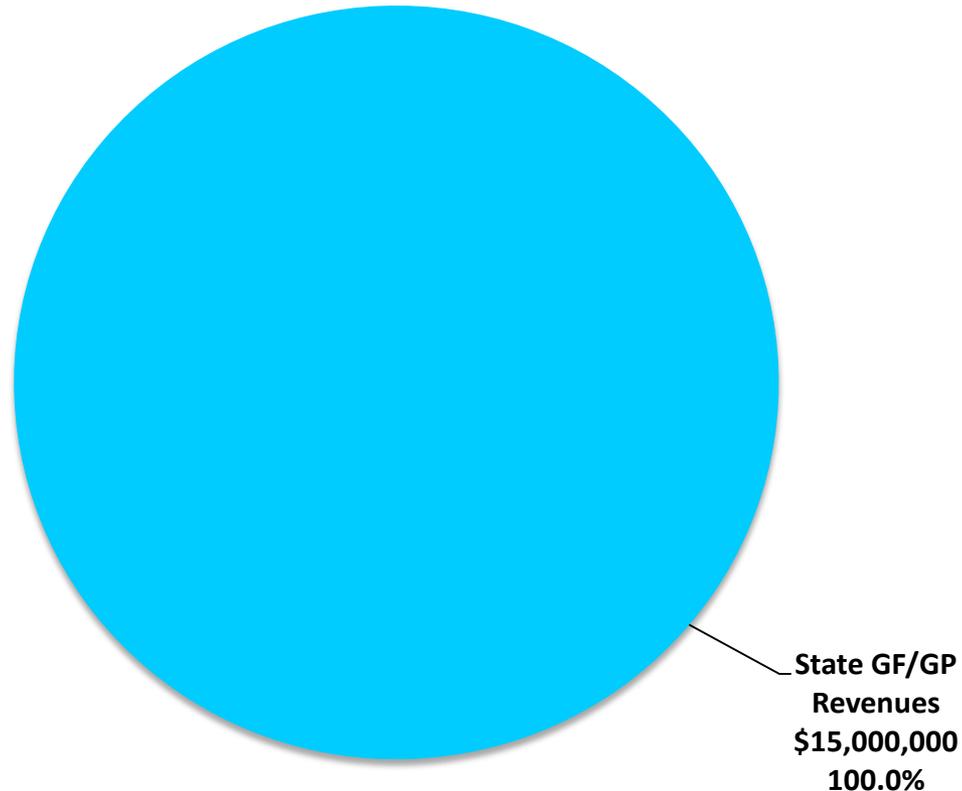
Sources of Funding FY 2012-13 Total = \$4,532,200



Autism Coverage

Supports the Autism Coverage Reimbursement Program established by 2012 PA 101, under which insurance carriers may seek reimbursement for claims associated with the diagnosis and treatment of autism spectrum disorders through an application process implemented by Office of Finance and Administrative Services within LARA; 1% of the appropriation may be expended for administrative costs.

Sources of Funding FY 2012-13 Total = \$15,000,000



Michigan Rehabilitative Services

E.O. 2012-10 transferred Michigan Rehabilitative Services (MRS), along with grant programs administered by MRS, from LARA to the Department of Human Services (DHS). 2012 PA 305 implemented the transfer within the budget through a negative supplemental appropriation for LARA totaling approximately (\$148) million and (550) FTEs.

Bureau of Services for Blind Persons

E.O. 2012-10 abolished the statutorily independent Commission for the Blind (MCB), transferring its statutory authority to the new Bureau of Services for Blind Persons (BSBP), and creating the purely advisory Commission for Blind Persons.

Securities Division

E.O. 2012-13 transferred the Securities Division of the Office of Financial and Insurance Regulation (OFIR) to the Bureau of Commercial Services (BCS), both agencies are within LARA.

Storage Tank Programs

E.O. 2012-14 transferred the aboveground and underground hazardous substances storage tank programs from the Department of Environmental Quality (DEQ) to the Bureau of Fire Services within LARA. The FY 2012-13 appropriation for these programs totaled approximately \$5 million and 37 FTEs.

Department of Insurance and Financial Services

E.O. 2013-01 abolished the Office of Financial and Insurance Regulation (OFIR) within LARA, created the Department of Insurance and Financial Services (DIFS), and transferred OFIR's statutory authority and appropriation to DIFS. The Autism Coverage Reimbursement Program was also transferred from LARA to DIFS. The FY 2012-13 appropriation for OFIR/Autism is \$79.5 million and 376.0 FTEs.

Bureau of Health Care Services

In FY 2012-13, LARA reorganized the Bureaus of Health Professions (BHP) and Health Services (BHS) into a single agency designated as the Bureau of Health Care Services (BHCS). The BHCS is organized into four administrative divisions: Health Facilities & Services, Licensing & Certification, Nursing Home Monitoring, and Operations.

Low-Income Energy Assistance

Due to the Public Service Commission's (PSC) prior experience administering the similar and now-defunct LIEEF program, the Department of Human Services (DHS) contracted with the PSC to administer grants to organizations providing energy assistance for low-income households. The contract is effective during FY 2013 for expenditures up to \$27.7 million supported by GF/GP.

Health Insurance Exchange

Required by the Federal Affordable Care Act of 2010

- **Virtual marketplace (i.e. internet portal & call center) through which individuals and businesses are able to compare, purchase, and enroll in Qualified Health Plans (QHPs)**
- **As of December 2012, the federal government will utilize federal funds to facilitate a Health Insurance Exchange (HIX) within Michigan**
- **The federal government awarded a \$30.7 million grant to the state to develop and implement QHP management and consumer assistance functions of the HIX**
- **The HIX is required to be operational by 2014 and financially self-sustaining by 2015 via federal assessments on insurers offering QHPs within the HIX**

Collective Bargaining

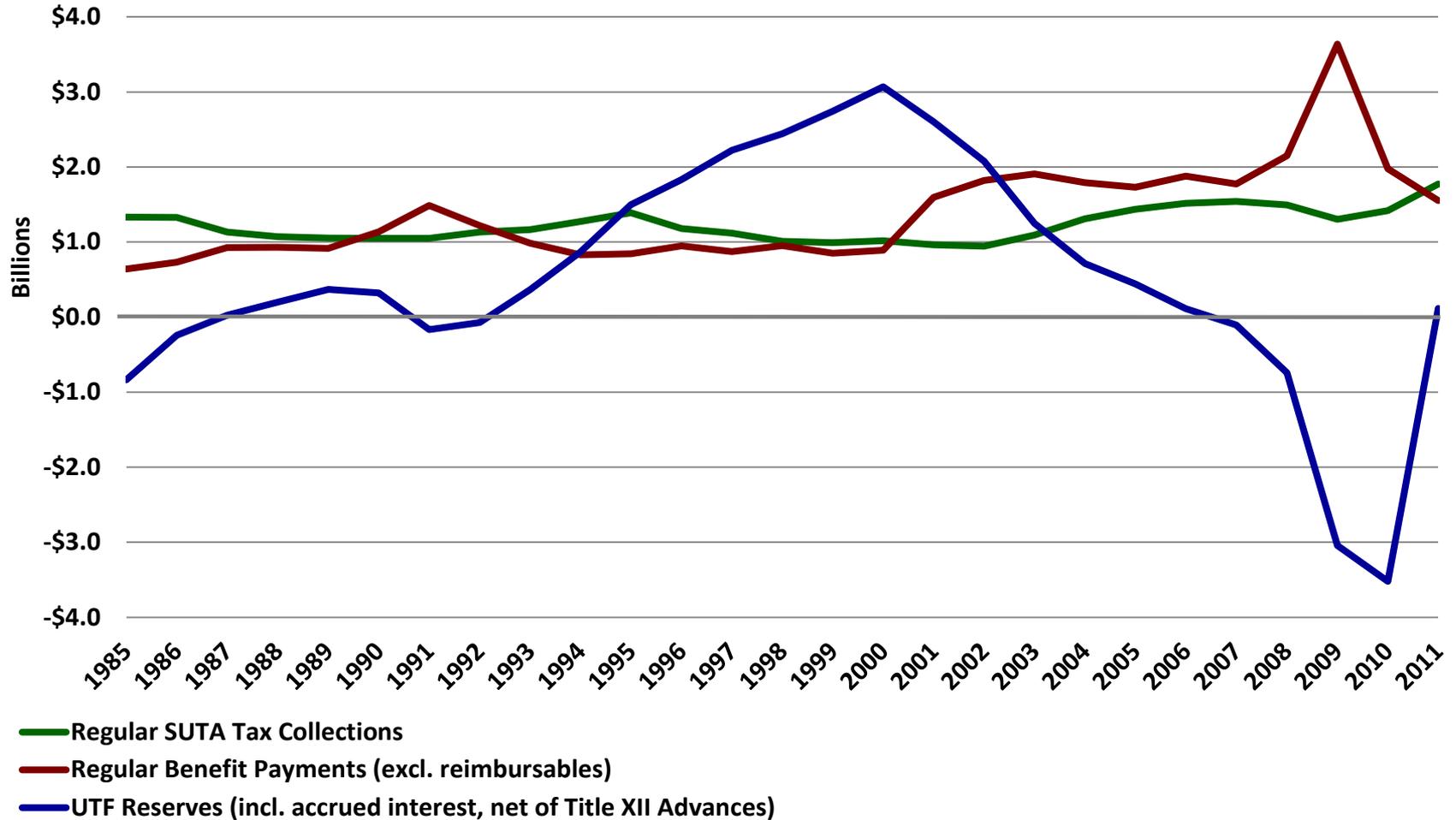
PAs 348 and 349 of 2012 (commonly referred to as “right-to-work” laws) appropriated \$2.0 million to the Bureau of Employment Relations (BER) to:

- **Respond to public inquiries regarding the amendatory acts**
- **Provide the commission with sufficient staff and other resources to implement the amendatory acts**
- **Inform employers, employees, and labor organizations concerning their rights and responsibilities under the amendatory acts**
- **Any other purposes that the director of the department of licensing and regulatory affairs determines in his or her discretion are necessary to implement the amendatory acts**

Unemployment Insurance

- **Unemployment benefits are primarily supported by state payroll taxes levied on eligible employers and are not subject to the appropriation process**
- **Administration of the UIA is entirely supported by annual federal grants supported by federal payroll taxes**
- **Public Acts 14 and 269 of 2011 significantly reformed the state's unemployment insurance program; designed to improve program solvency by generally raising tax collections and reducing benefit payments**
- **Following several years of borrowing from the federal government, the state's reserves in the Unemployment Trust Fund are now positive due to the issuance of state bonds under PAs 267 and 268 of 2011**

Unemployment Insurance



More information can be found at:

http://www.house.mi.gov/hfa/PDFs/Unemployment%20Insurance%20Nov2012_Fiscal%20Focus.pdf

**For more information about the
Department of Licensing and Regulatory
Affairs budget, contact:**

**Paul B.A. Holland
pholland@house.mi.gov
(517) 373-8080**