



Background Briefing

Licensing and Regulatory Affairs

Paul Holland, Fiscal Analyst

December 2013

The fiscal information in this background briefing is based on data through December 31, 2013.

LARA Overview

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

Licensing and Regulation

Implements and enforces statutory laws and administrative rules pertaining to commercial and occupational, construction and fire safety, healthcare provider and facility, public utility, and liquor regulation

Employment Security and Workplace Safety

Administers unemployment insurance, workers' compensation insurance, occupational safety and health standards, labor and wage laws, and vocational rehabilitation services for the blind

Michigan Administrative Hearing System

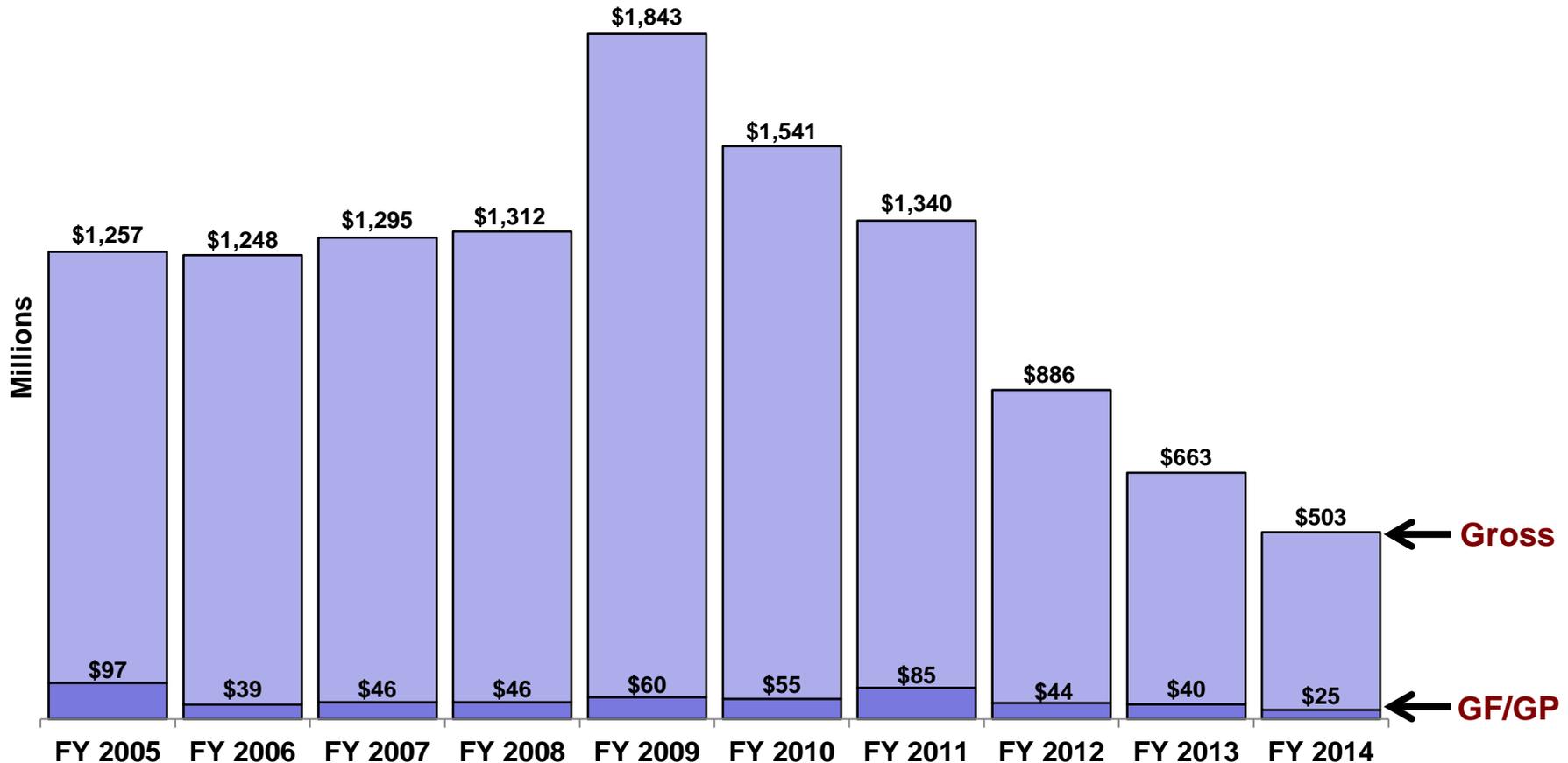
Quasi-judicial agency which centralizes and conducts administrative hearings for agencies throughout state government

Office of Regulatory Reinvention

Oversees administrative rule-making and evaluates the state's regulatory infrastructure

LARA Historical Appropriations

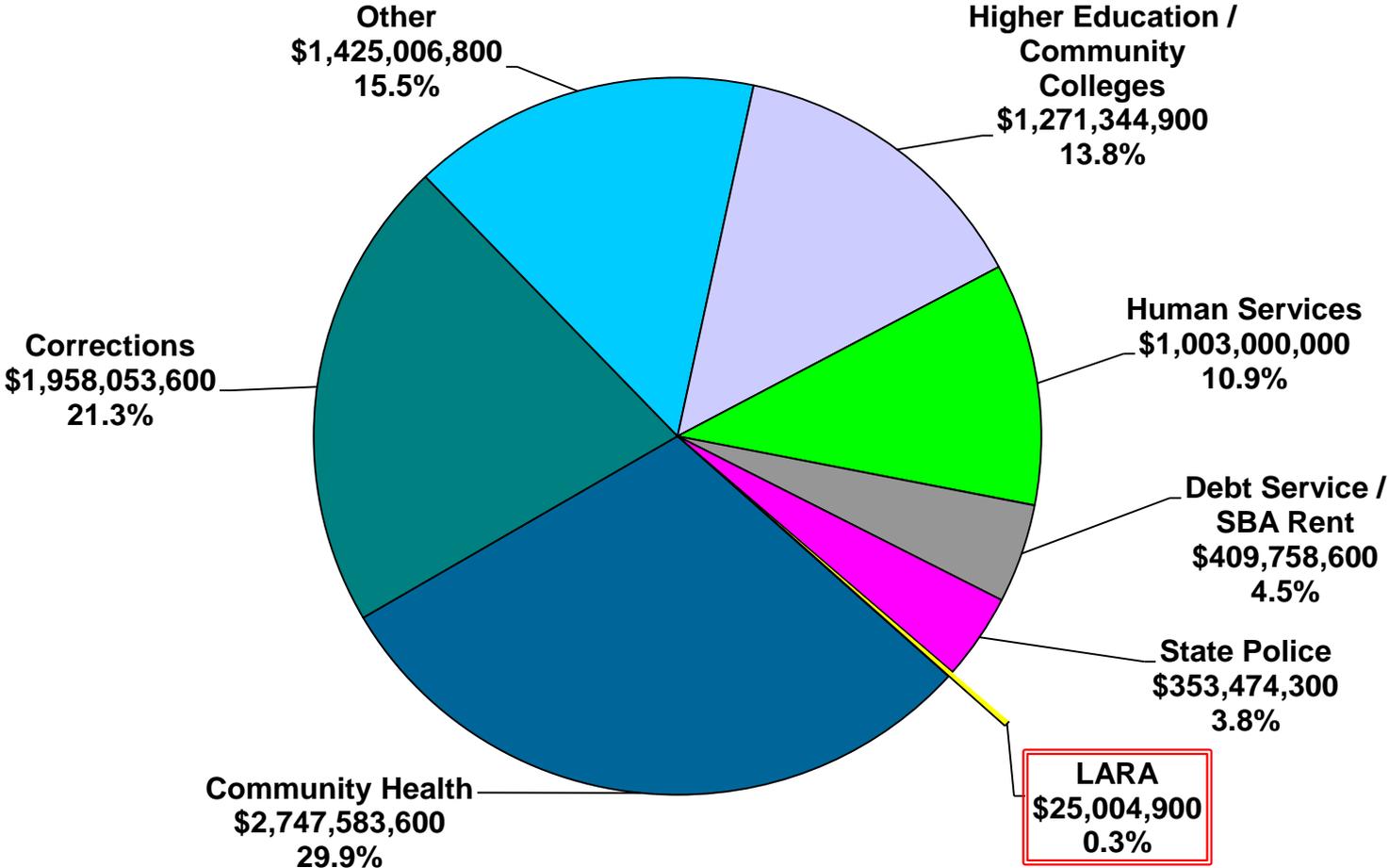
- FY 09 and FY 10 increases primarily due to federal ARRA grants
- FY 11 increase of GF/GP primarily due to interest payments on federal UI advances
- FY 12 decrease primarily due to reorganization of DELEG into LARA
- FY 13 decrease primarily due to transfer of MRS to DCH and elimination of the LIEEF program
- FY 14 decrease primarily due to transfer of OFIR and ACRP into DIFS and reductions in fed UI grants



LARA Share of State GF/GP

LARA makes up 0.3% of the total state GF/GP budget

FY 2013-14 GF/GP Total = \$9,193,226,700

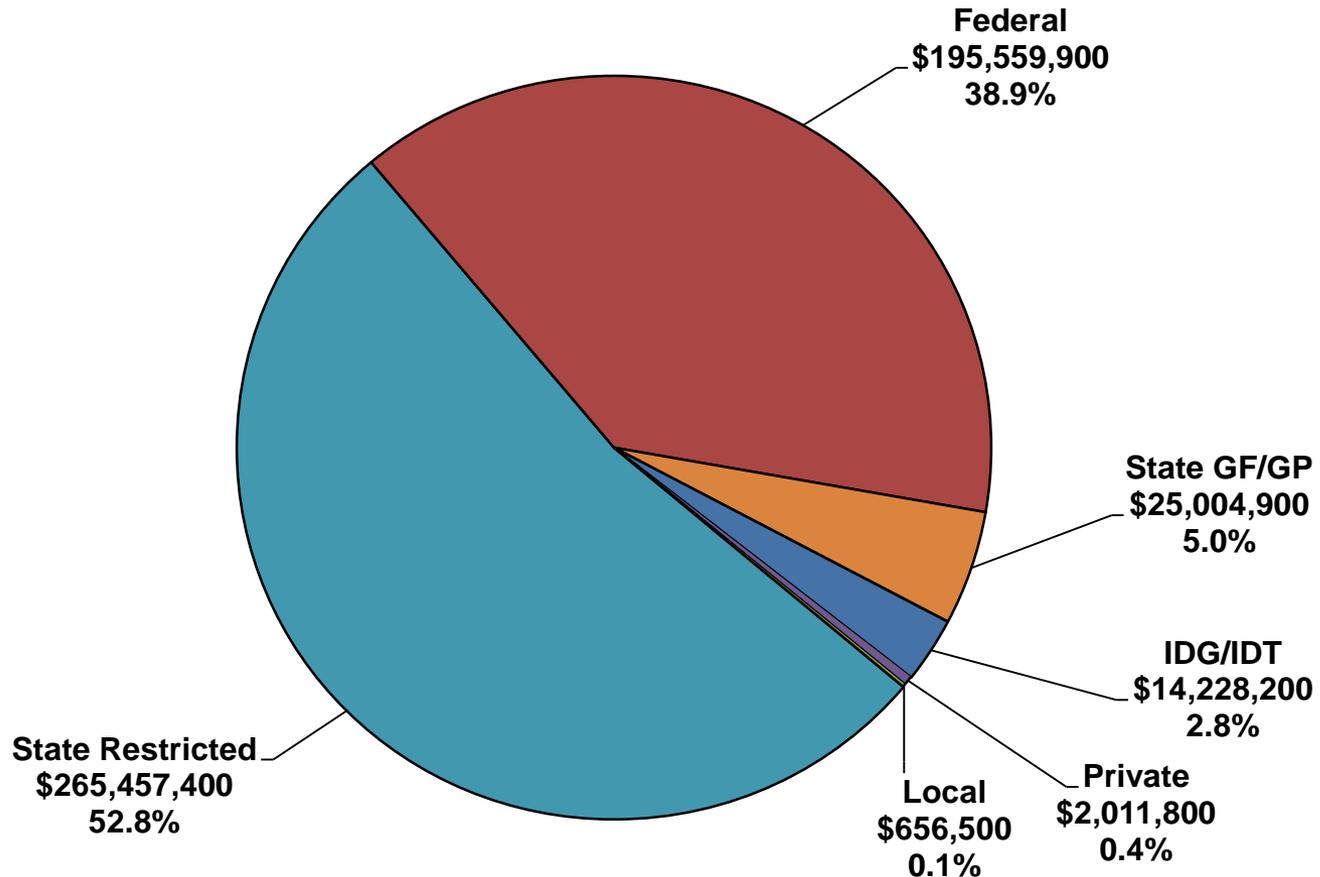


SOURCES OF FUNDING

LARA Funding Sources

State restricted funds (e.g. regulatory fees) constitute 52.8%, federal grants constitute 38.9%, while state GF/GP constitutes 5.0% of LARA revenues

FY 2013-14 LARA Total Appropriation = \$502,918,700



DEPARTMENT APPROPRIATIONS

LARA Appropriation

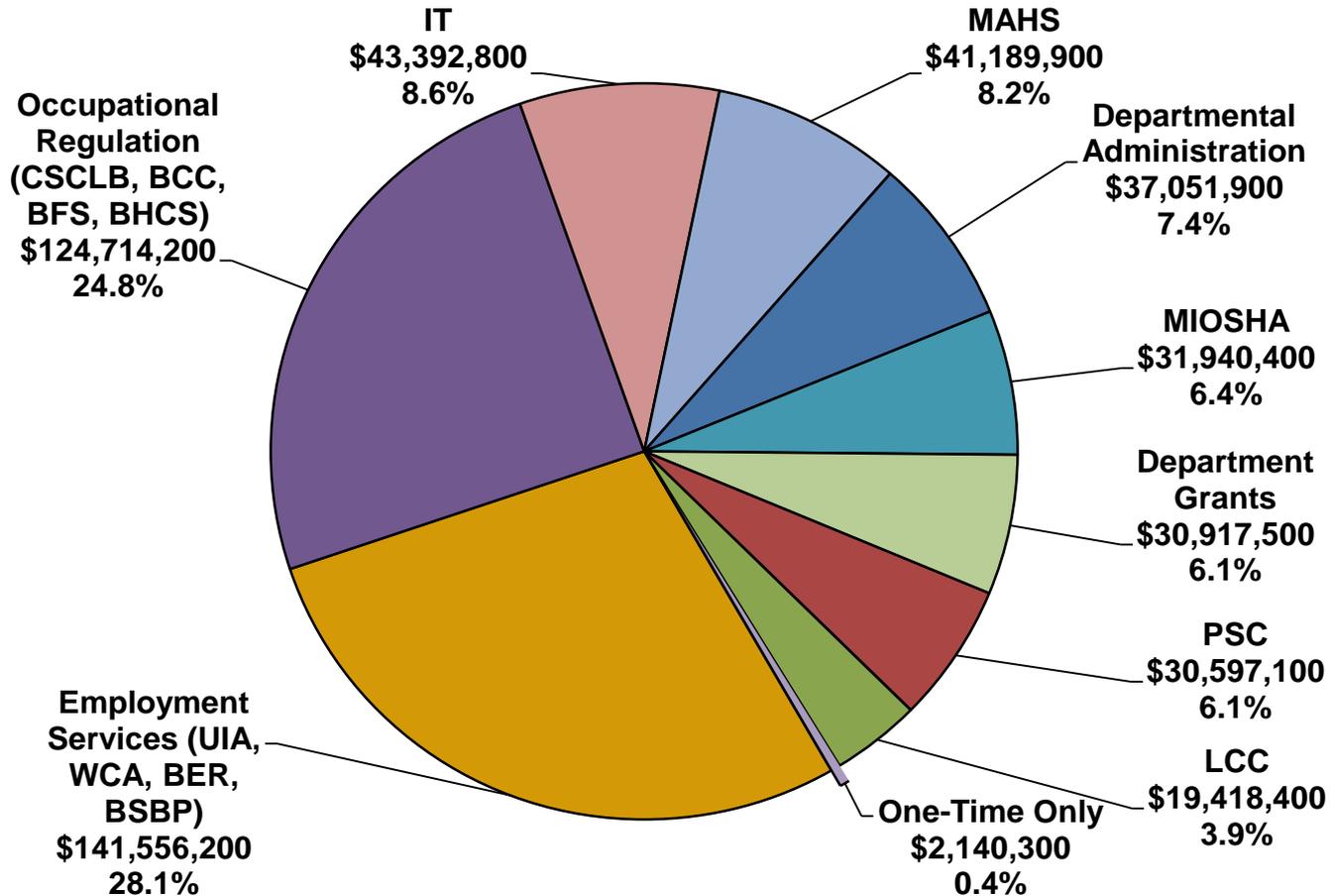
The LARA budget is allocated into these appropriation units:

- Departmental Administration
- Public Service Commission and Energy Systems (PSC)
- Liquor Control Commission (LCC)
- Occupational Regulation (CSCLB, BCC, BFS, BHCS)
- Michigan Occupational Safety and Health Administration (MIOSHA)
- Employment Services (UIA, WCA, BER, BSBP)
- Michigan Administrative Hearing System (MAHS)
- Information Technology (IT)
- Department Grants
- One-Time Only Basis

LARA Appropriation

Employment Services (28.1%) and Occupational Regulation (24.8%) together constitute 53.0% of the LARA appropriation

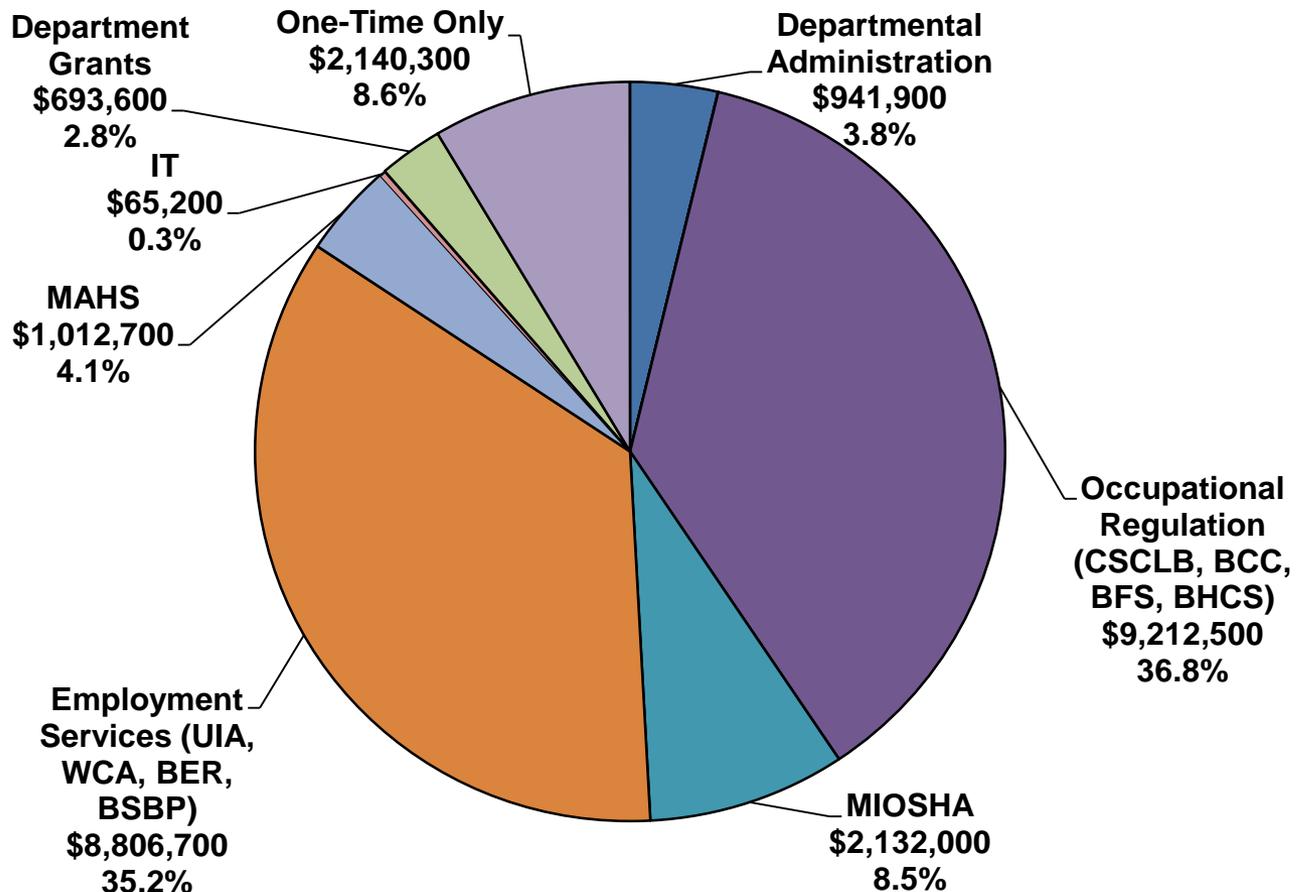
FY 2013-14 LARA Appropriation = \$502,918,700



LARA GF/GP Appropriation

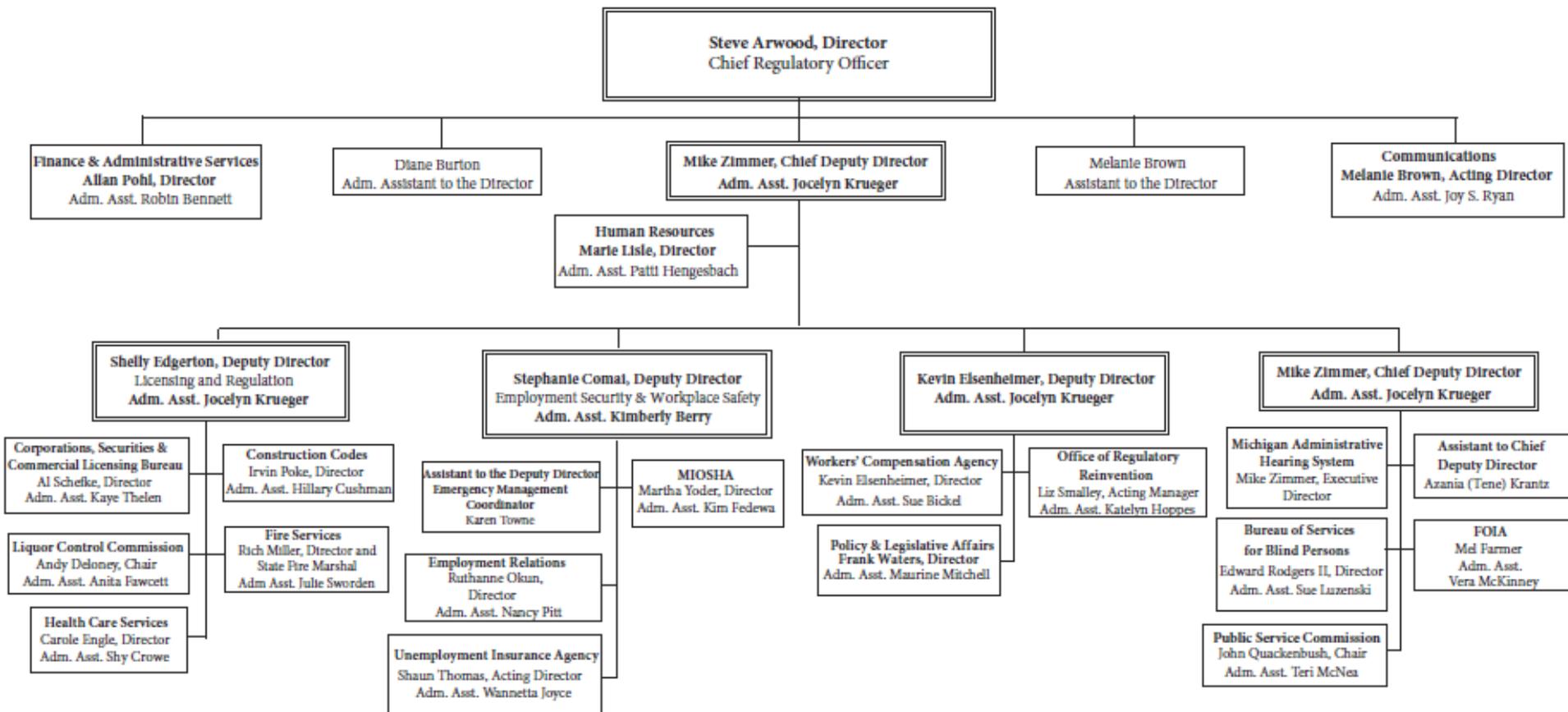
Occupational Regulation (36.8%) and Employment Services (35.2%) together constitute 72.0% of the LARA GF/GP appropriation

FY 2013-14 LARA GF/GP Appropriation = \$25,004,900



MAJOR BUDGET TOPICS

LARA Organizational Chart



LARA Agencies

- **Licensing and Regulation**
 - Public Service Commission
 - Liquor Control Commission
 - Corporations, Securities, and Commercial Licensing Bureau
 - 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
 - Office of Regulatory Reinvention

LARA Sources of Funding

State Restricted Revenues

Primarily comprised of licensing and regulation fees and fines levied on individuals, entities, occupations, and activities regulated under various agencies within LARA.

Federal Revenues

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

Local and Private Revenues

Grants and gifts from private entities and local units of government.

State General Fund Revenue

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

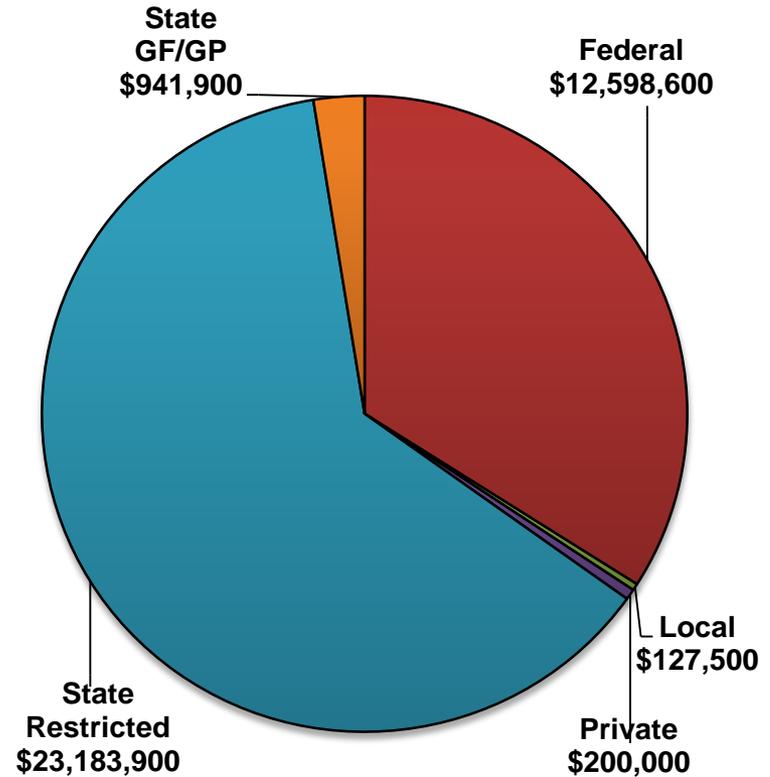
Interdepartmental Grant Revenues

Revenue appropriated for various state departments and granted to LARA for specified purposes.

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 Team (FAST), Human Resources, and Regulatory Reinvention (ORR), in addition to costs associated with property management, rent, and workers' compensation insurance.

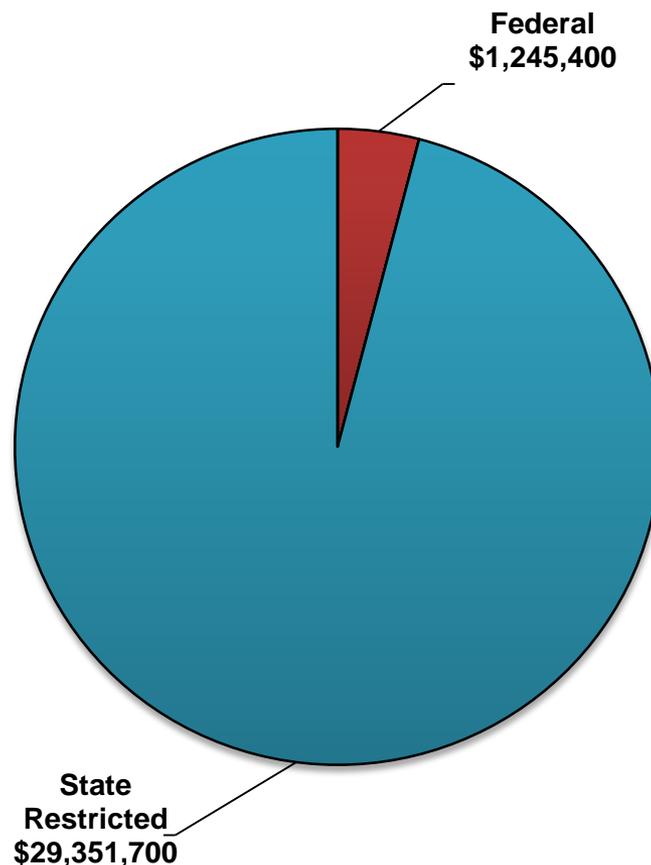
FY 2013-14 Total = \$37,051,900



Public Service Commission

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.

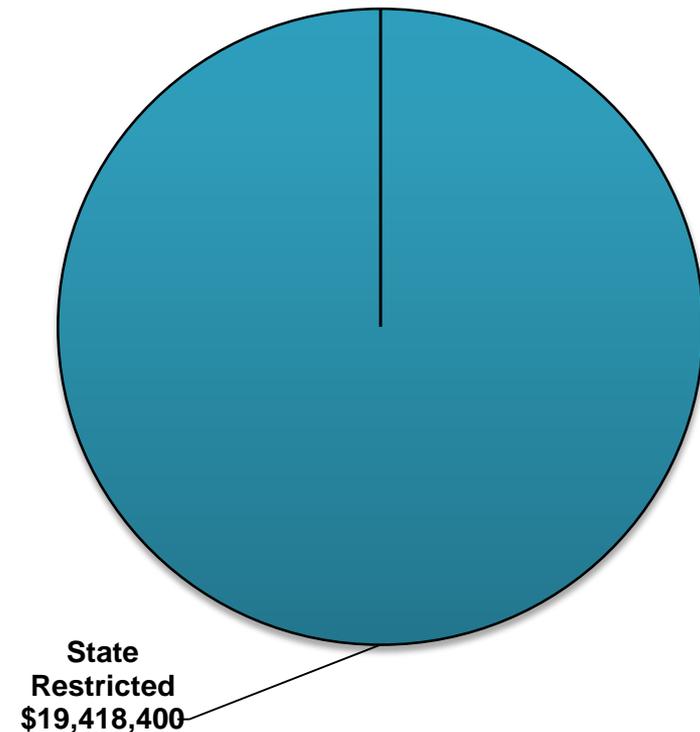
FY 2013-14 Total = \$30,597,100



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, sale, and consumption of all alcoholic beverages (beer, wine, spirits) within Michigan via licensure and/or administrative rule, additionally the LCC is the sole wholesaler of all spirits (alcohol content > 21%) legally sold within the state.

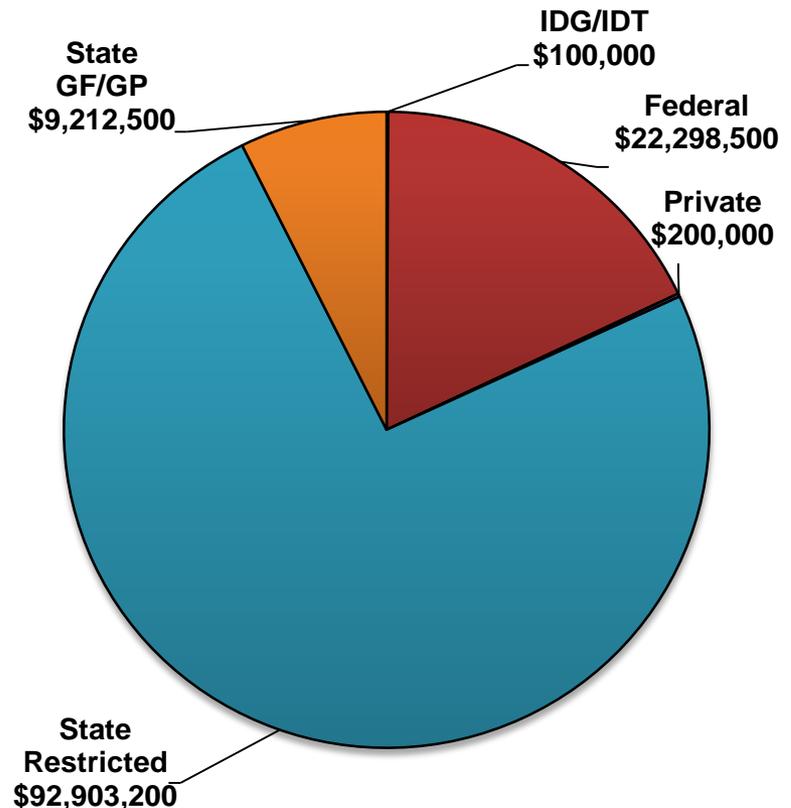
FY 2013-14 Total = \$19,418,400



Occupational Regulation

Appropriation unit includes support for several agencies which license and otherwise regulate various occupational, commercial, structural, mechanical, and health care activities and entities throughout the state, including: the Bureaus of Fire Services (BFS), Construction Codes (BCC), Corporations, Securities, and Commercial Licensing (CSCLB), and Health Care Services (BHCS).

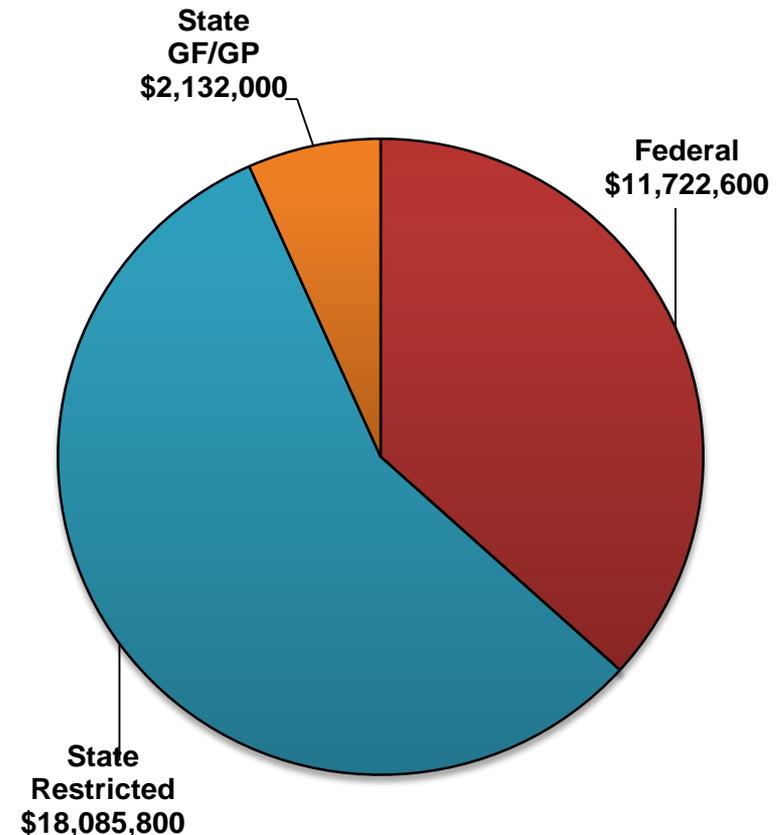
FY 2013-14 Total = \$124,714,200



Michigan Occupational Safety & Health Administration

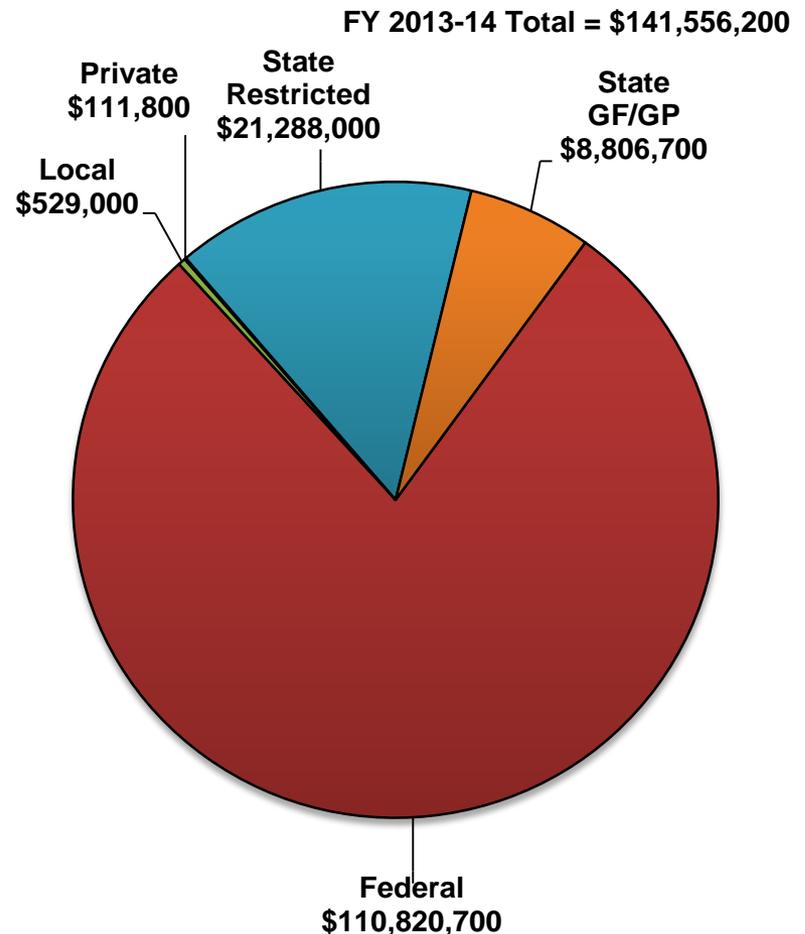
Appropriation unit includes support for the Michigan Occupational Safety and Health Administration (MIOSHA) which enforces both federal and state workplace safety standards and develops evaluation and educational programs and the Wage and Hour Program within MIOSHA which enforces state wage and benefit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

FY 2013-14 Total = \$31,940,400



Employment Services

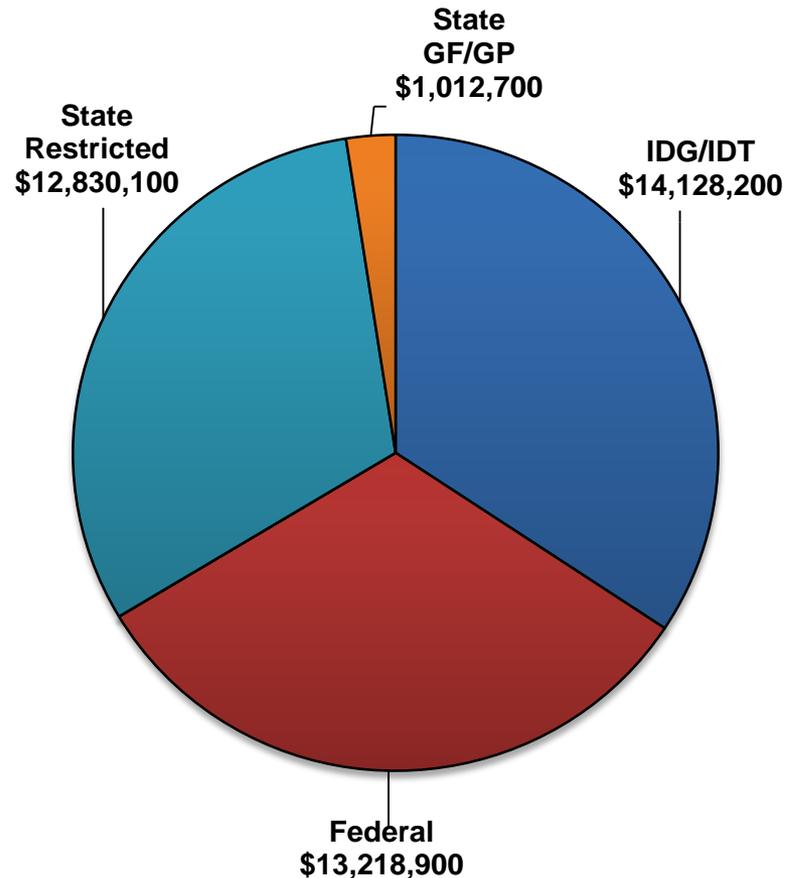
Appropriation unit includes support for the Unemployment Insurance Agency (UIA) which administers federal-state unemployment insurance programs, Worker's Compensation Agency (WCA) which oversees workers' compensation insurance compliance and claims, Bureau of Employment Relations (BER) which conducts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



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 and the Michigan Tax Tribunal which hears tax appeals.

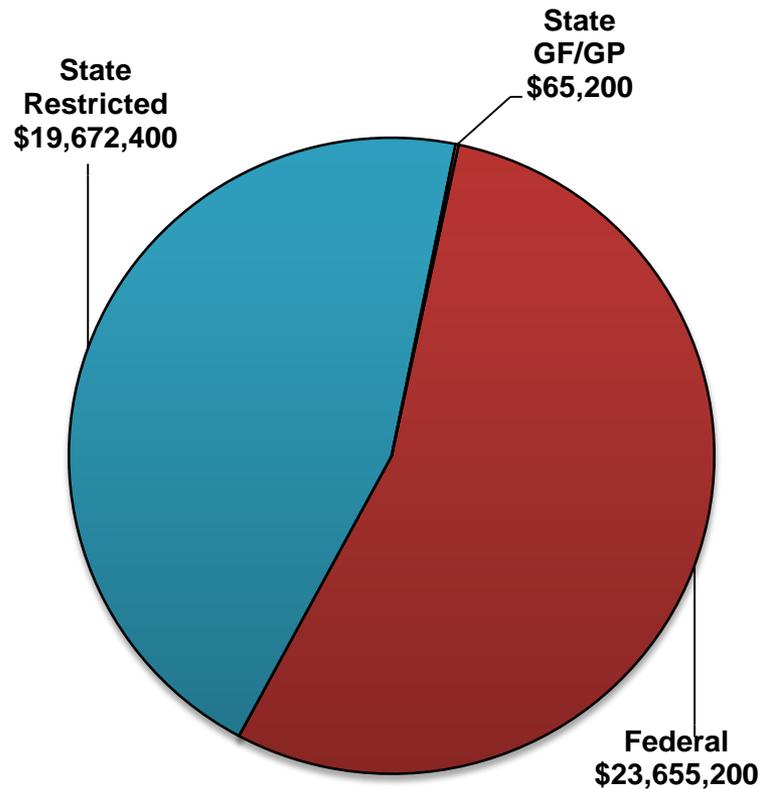
FY 2013-14 Total = \$41,189,900



Information Technology

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

FY 2013-14 Total = \$43,392,800

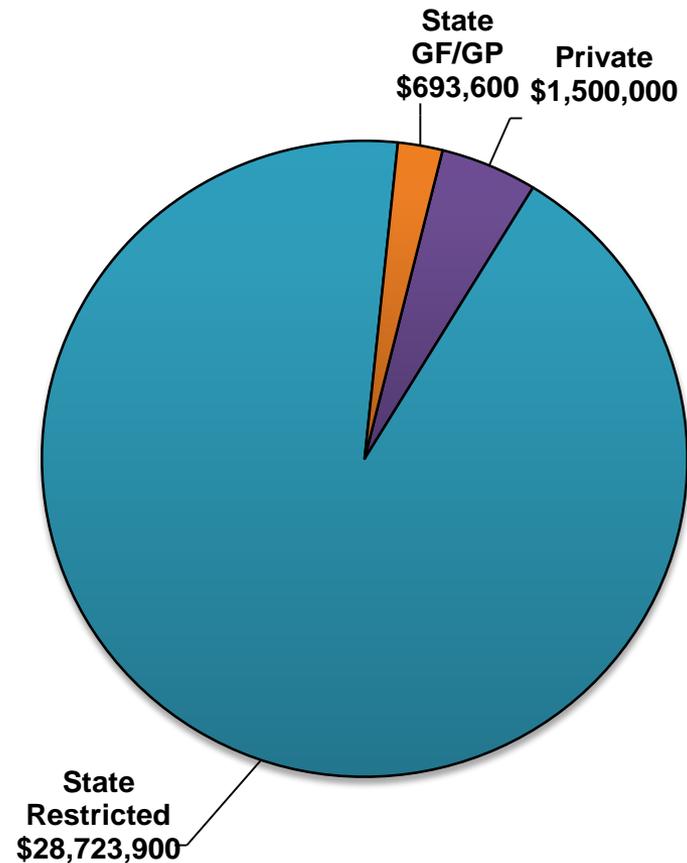


Department Grants

Appropriation unit includes support for various state grant programs administered and awarded by agencies within LARA:

- Fire Protection Grants
- Fireworks Safety Grants
- Liquor Law Enforcement Grants
- Medical Marijuana Operations & Oversight Grants
- Remonumentation Grants
- Subregional Libraries State Aid
- Utility Consumer Representation
- Youth Low-Visions Program

FY 2013-14 Total = \$30,917,500

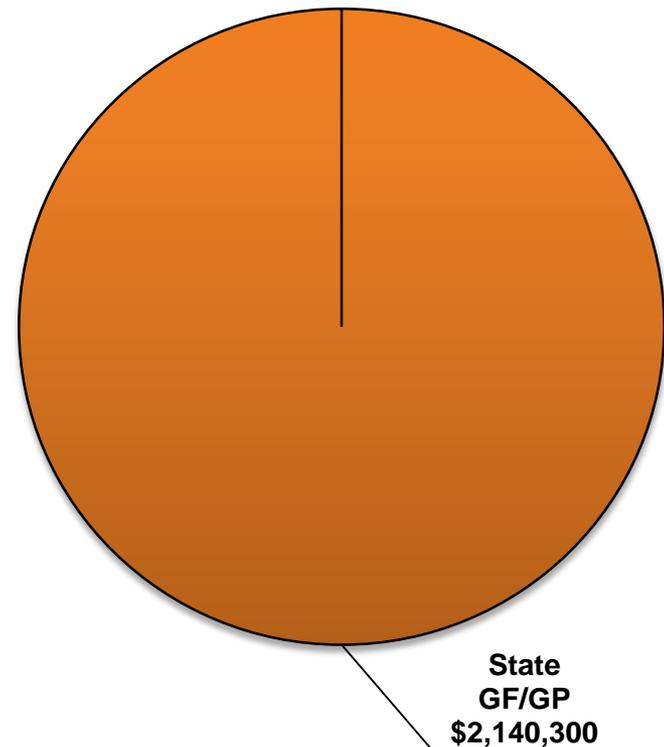


One-Time Basis Only

Appropriation unit includes all FY 2013-14 appropriations intended by the Legislature to be one-time allocations which will not be reauthorized for future fiscal years:

- Supports upgrades of information technology systems, pursuant to Public Act 322 of 2012, utilized by nursing home surveyors within the Bureau of Health Care Services (BHCS).

FY 2013-14 Total = \$2,140,300

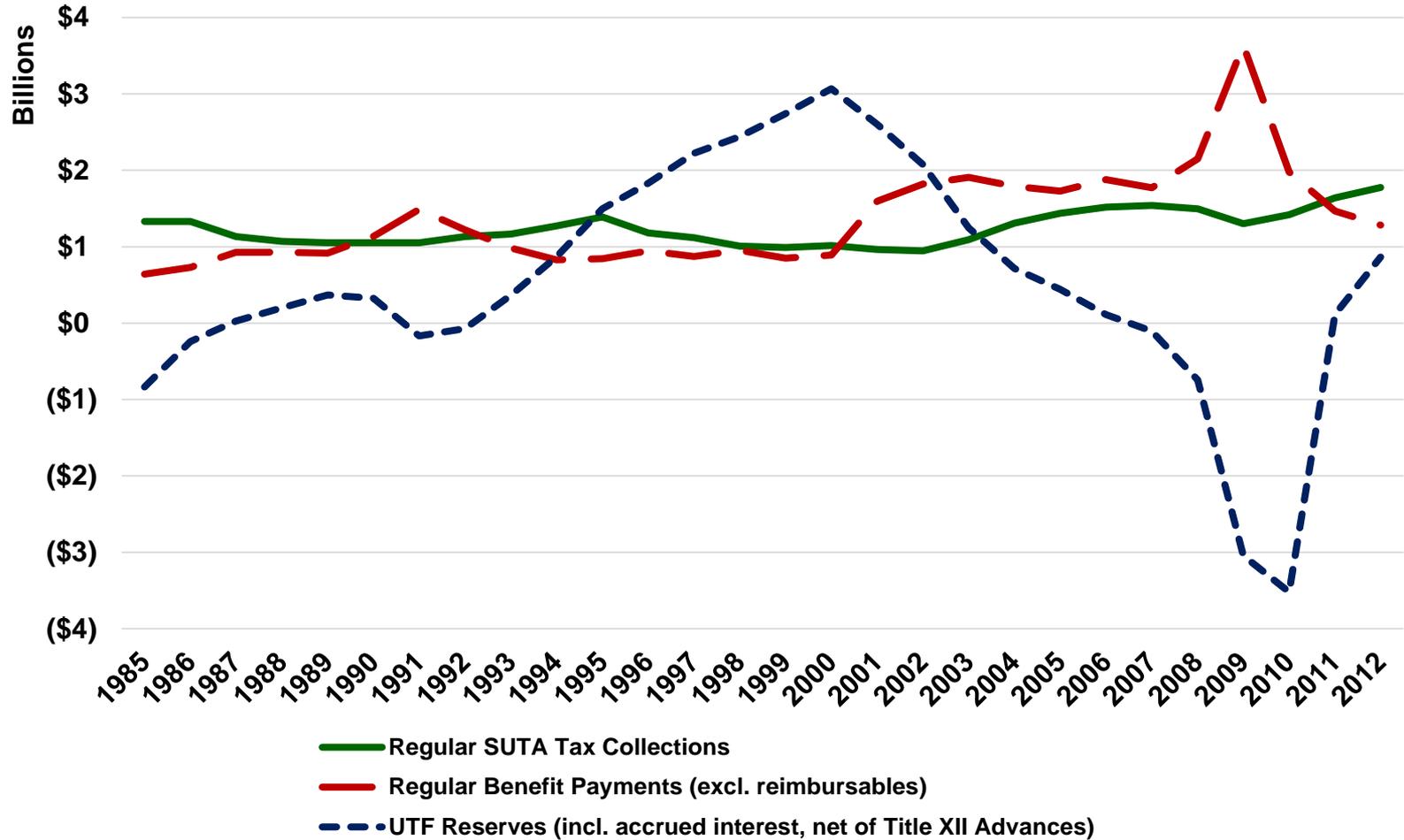


Unemployment Insurance

- 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
- **Tax collections have increased and regular benefit payments have decreased year-over-year since 2009; reserves have accumulated since 2011, though are still well below the amount recommended by the federal government**

Unemployment Insurance

Unemployment Trust Fund



**For more information about the
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