



Background Briefing

Licensing and Regulatory Affairs

Paul Holland, Fiscal Analyst

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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

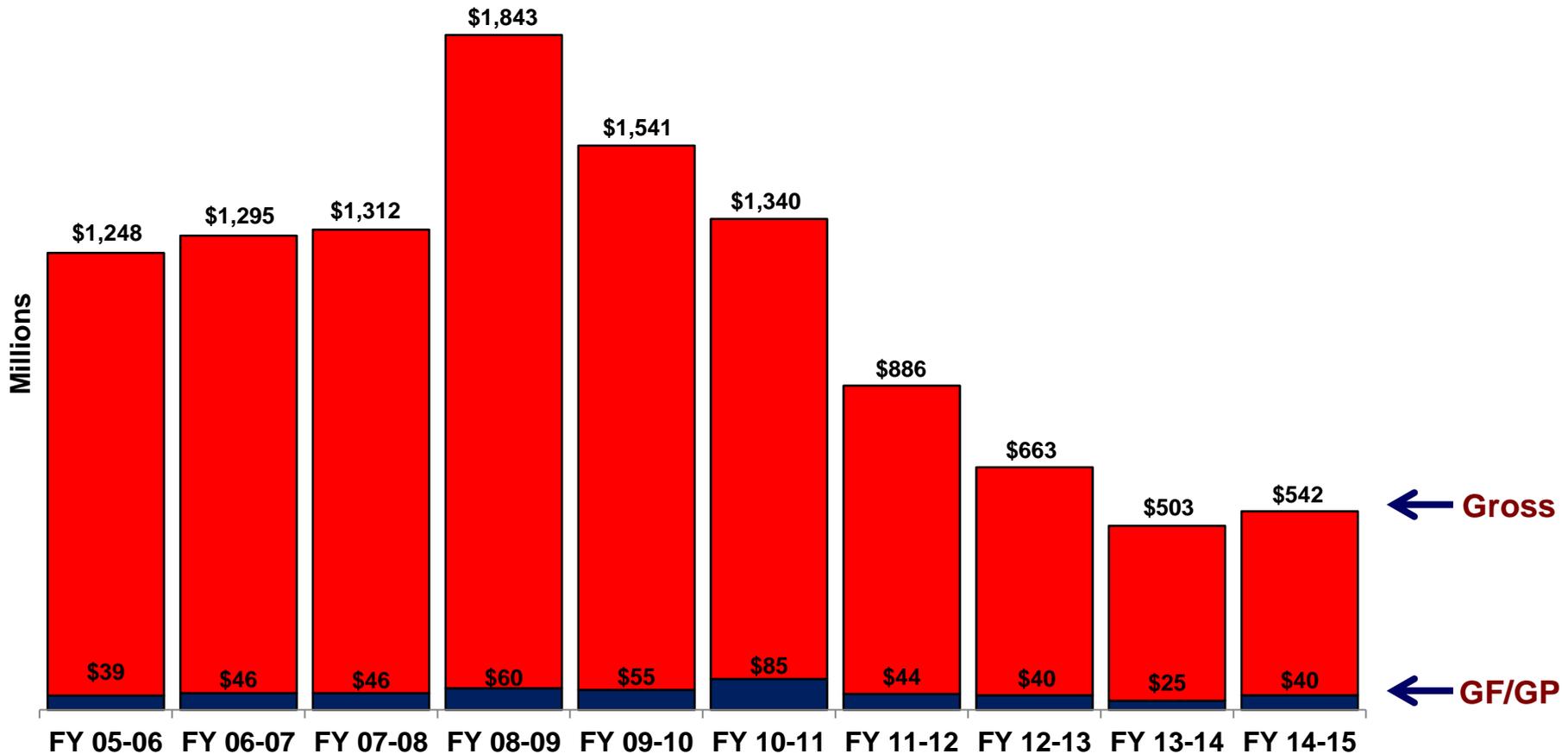
Quasi-judicial agency which centralizes and conducts administrative hearings for agencies throughout state government

Office of Regulatory Reinvention

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

LARA Historical Appropriations

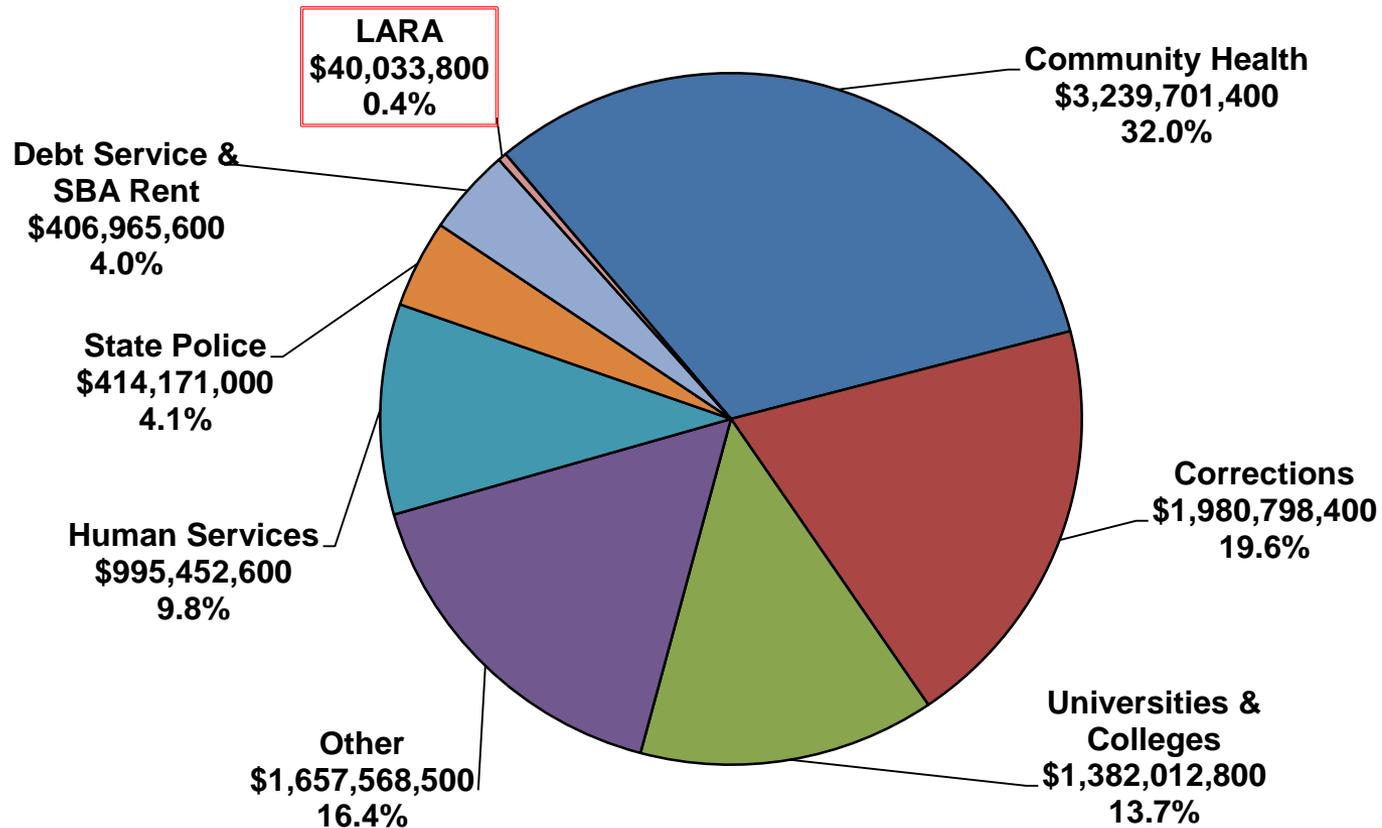
- FY 09 and FY 10 increases primarily due to federal ARRA grants
- FY 11 increase of GF/GP due to interest payments on federal UI advances
- FY 12 decrease primarily due to reorganization of DELEG into LARA
- FY 13 decrease primarily due to transfer of MRS to DCH and elimination of the LIEEF program
- FY 14 decrease primarily due to transfer of OFIR and ACRP into DIFS and reductions in fed UI grants
- FY 15 GF/GP increase due to one-time funding for Delphi Corp. Workers' Comp claims



LARA Share of State GF/GP

LARA constitutes 0.4% of the total state GF/GP budget

FY 2014-15 Statewide GF/GP Total = \$10,116,704,100

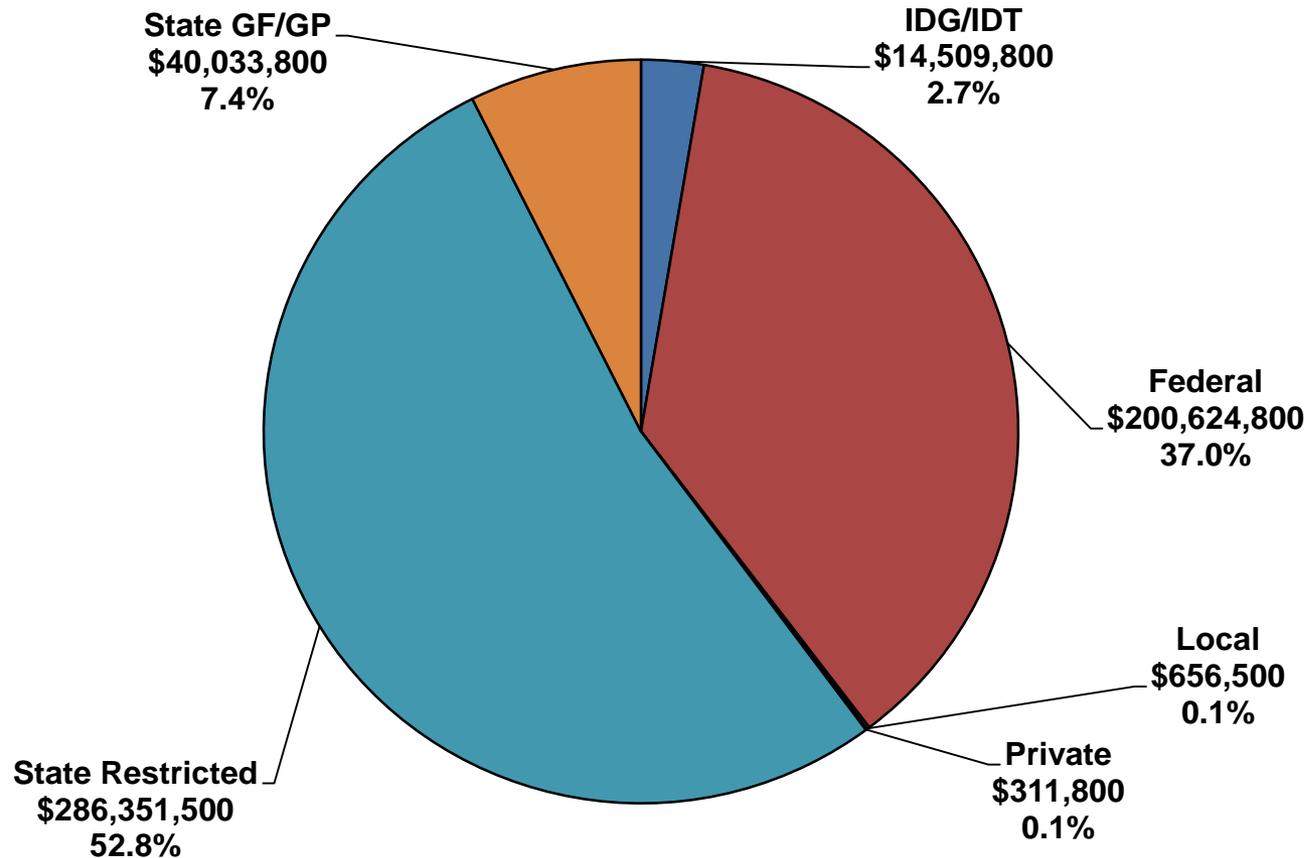


SOURCES OF FUNDING

LARA Funding Sources

LARA's FY 2014-15 appropriation is primarily supported primarily by state restricted revenue (e.g., regulatory fees) and federal grants

FY 2014-15 Gross Appropriation = \$542,488,200



DEPARTMENT APPROPRIATIONS

LARA Appropriation Units

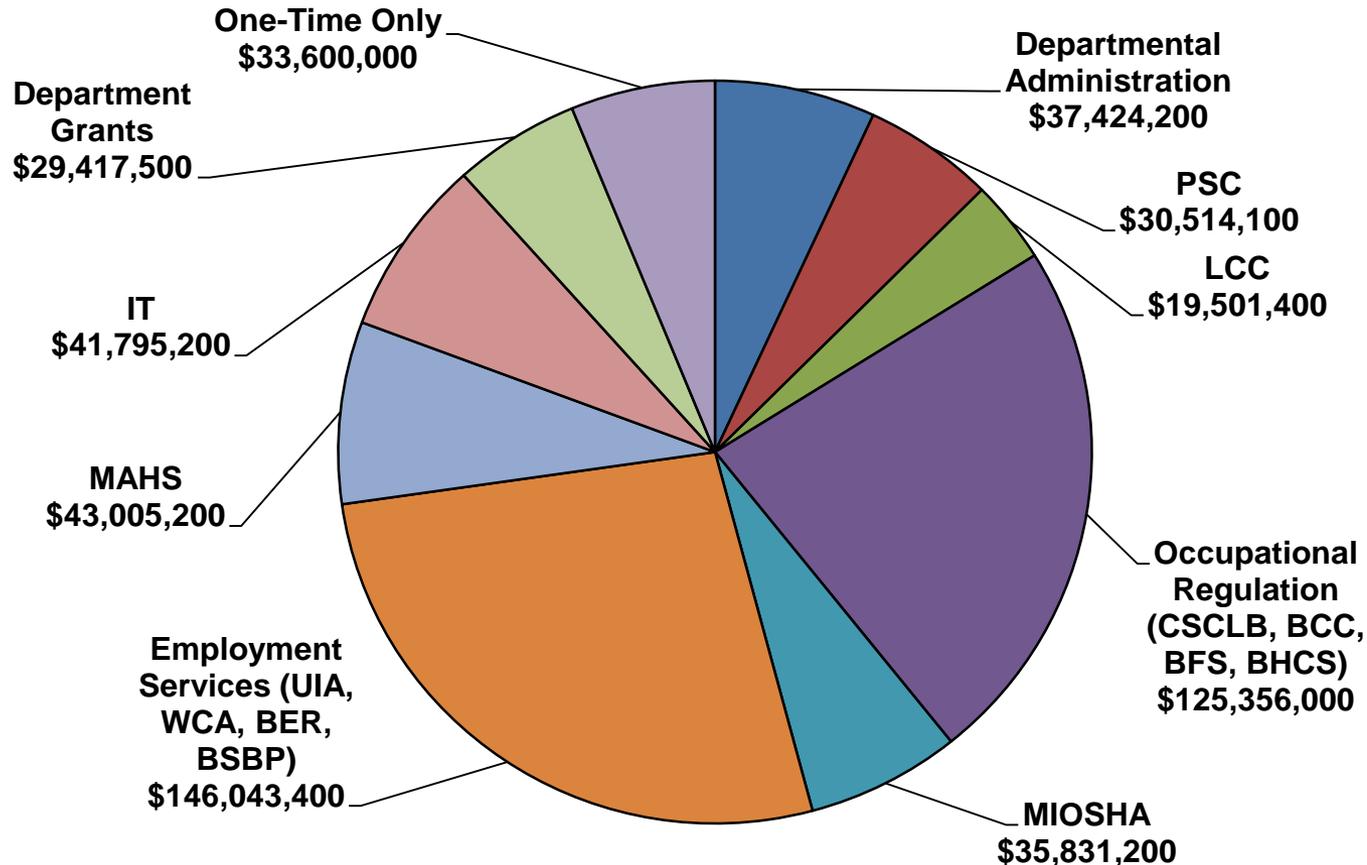
The LARA budget is allocated into these appropriation units:

- Departmental Administration
- Public Service Commission (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 Gross Appropriation

**Employment Services (26.9%) and Occupational Regulation (23.1%)
together constitute 50.0% of the LARA appropriation**

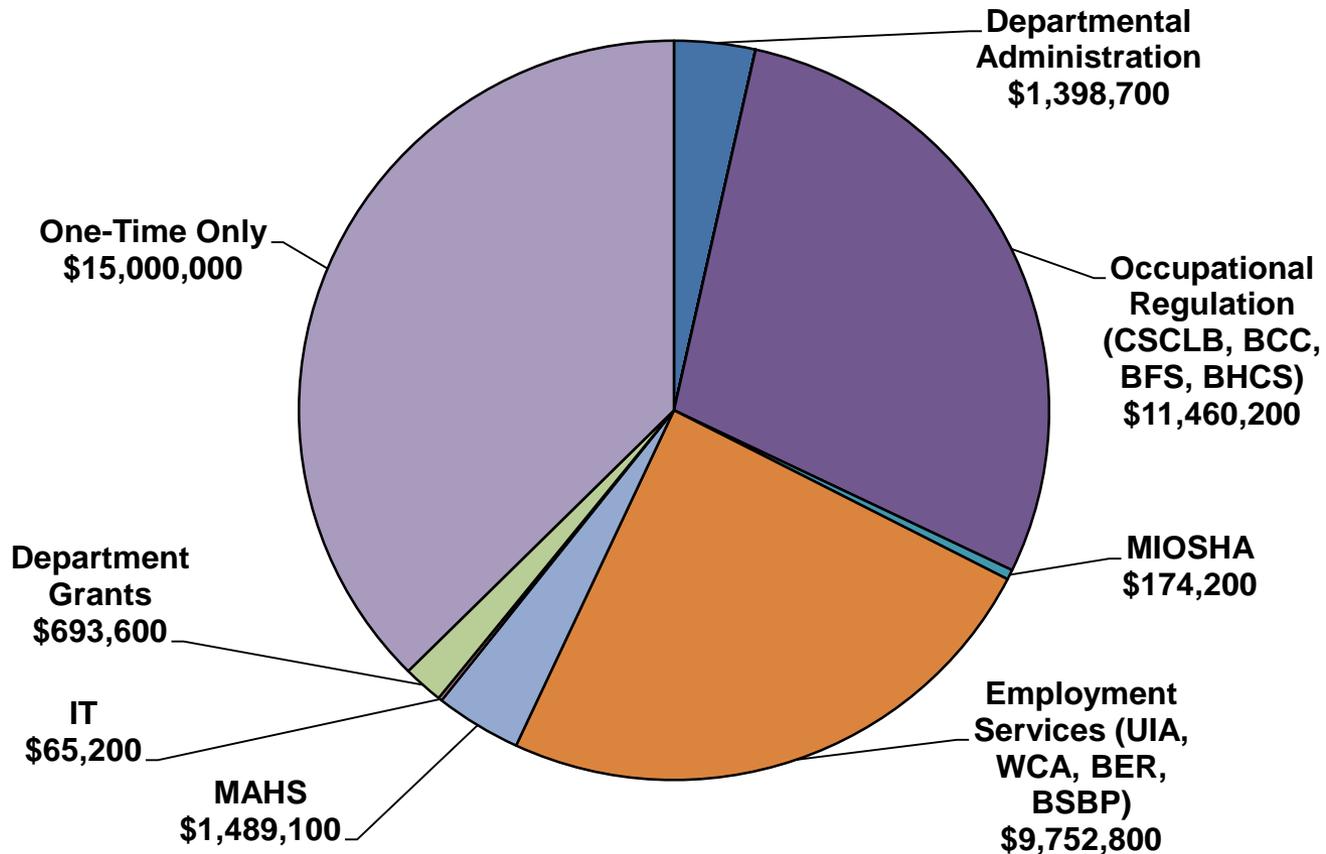
FY 2014-15 Gross Appropriation = \$542,488,200



LARA GF/GP Appropriation

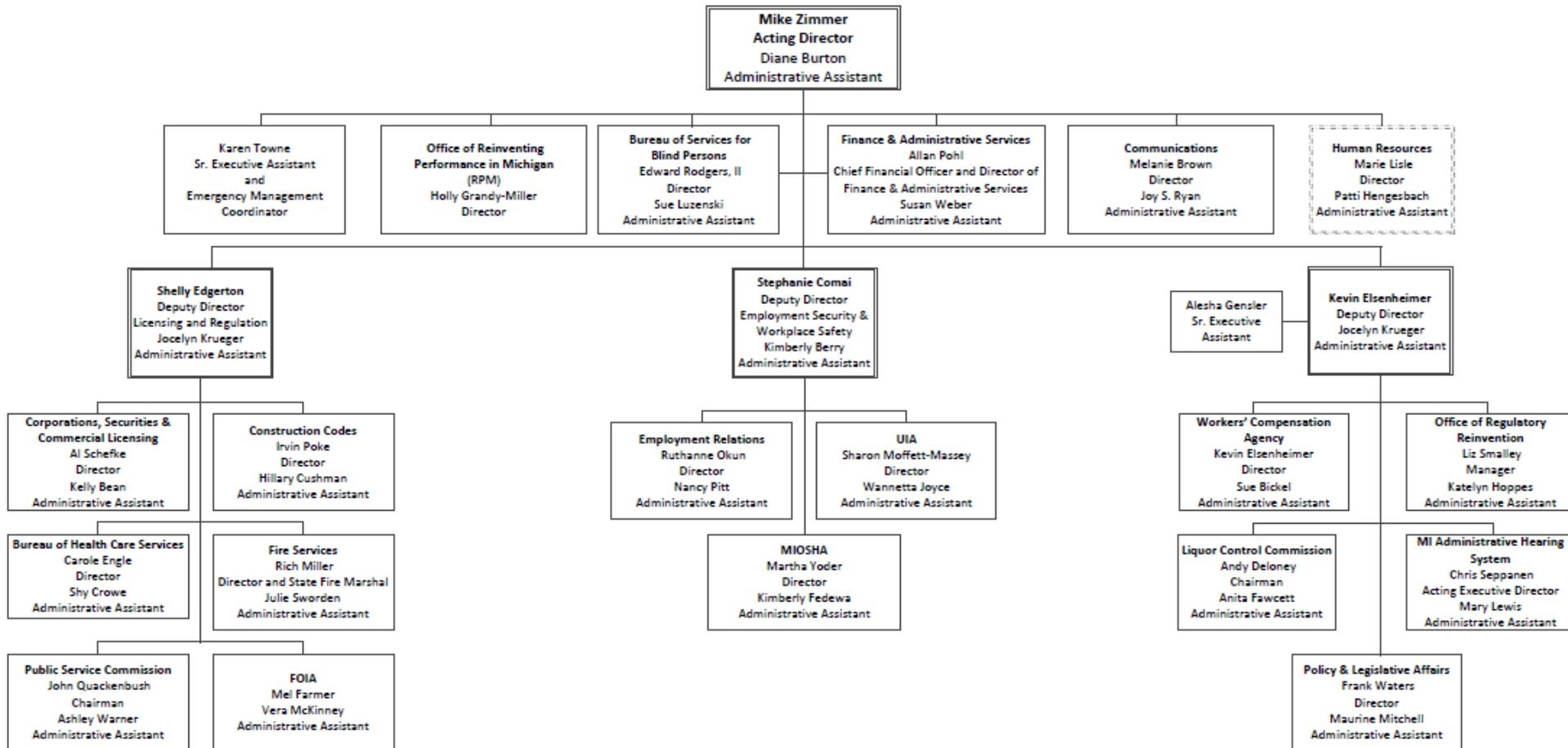
Occupational Regulation (28.6%) and Employment Services (24.4%) together constitute 53.0% of GF/GP, while 37.5% of GF/GP is one-time

FY 2014-15 GF/GP Appropriation = \$40,033,800



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 various grants and other payments from the federal 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.

Interdepartmental Grant Revenues

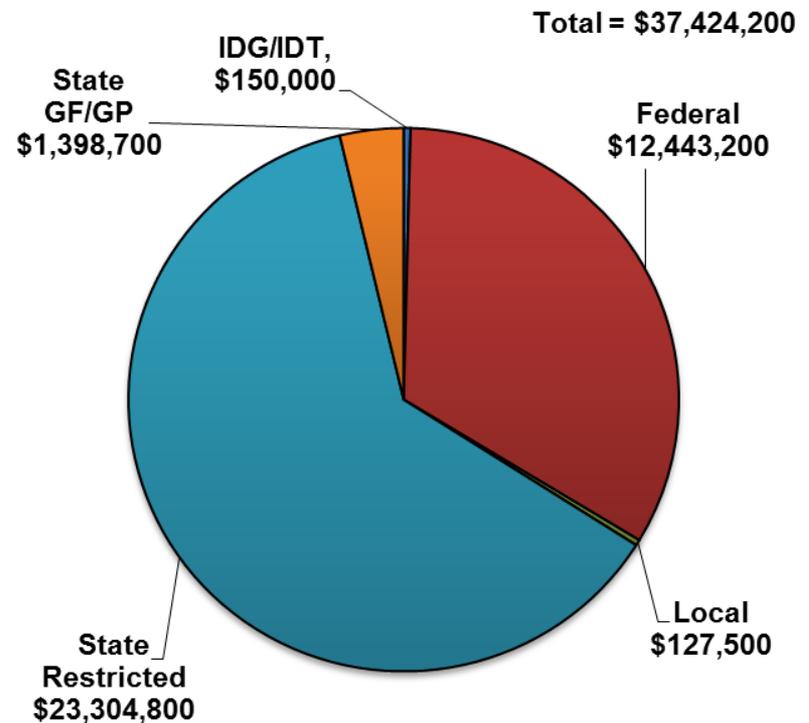
Funds appropriated within other departmental budgets and granted to LARA for services provided by LARA for other departments

Local and Private Revenues

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

Departmental Administration

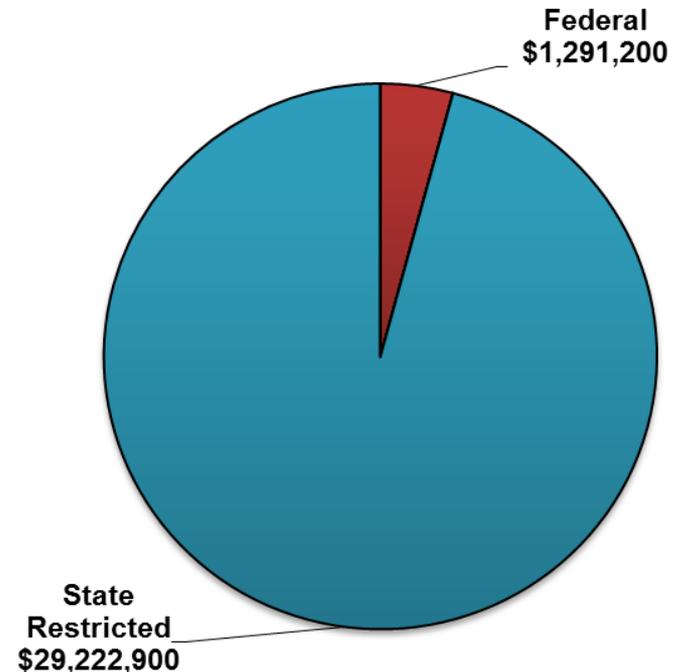
Appropriation unit includes support for the executive functions and overhead costs of the various agencies organized within LARA; including funding for the Offices of Communications, Policy and Legislative Affairs (OPLA), Finance and Administrative Services Team (FAST), Human Resources, and Regulatory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



Public Service Commission

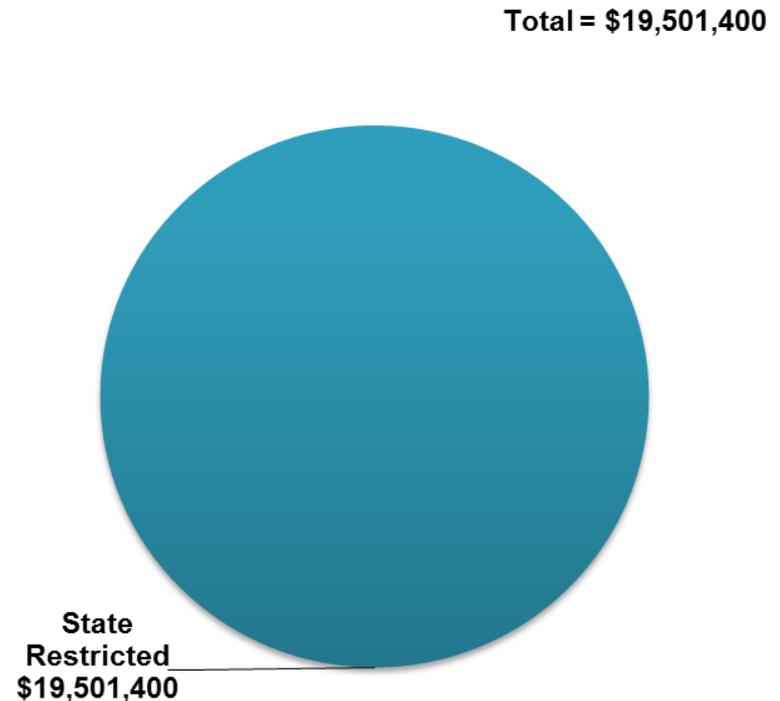
Appropriation unit includes support for the Michigan Public Service Commission (PSC) which regulates and establishes rates for investor- and cooperatively-owned natural gas and electricity utility companies, in addition to promoting investment in critical infrastructure and renewable energy. The PSC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

Total = \$30,514,100



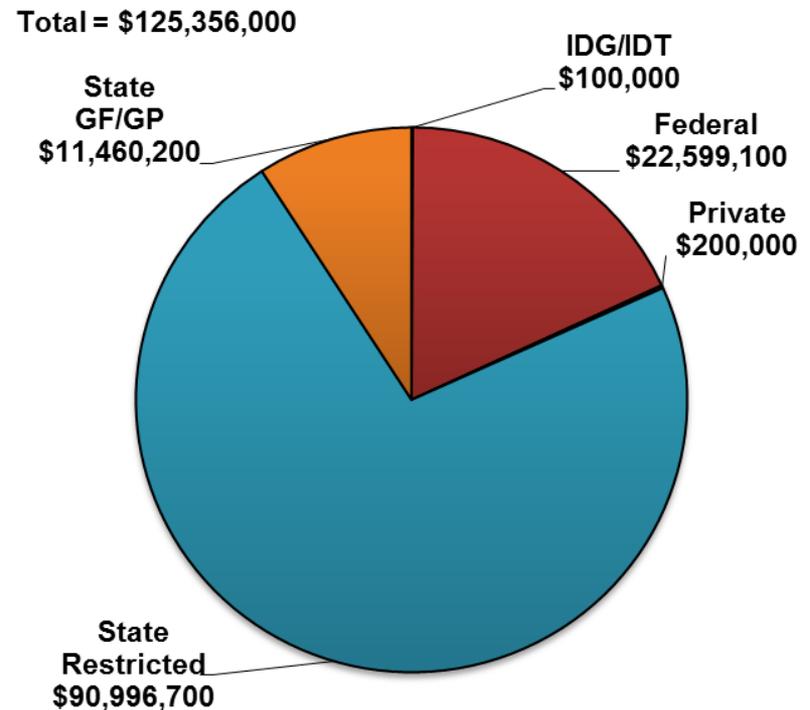
Liquor Control Commission

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.



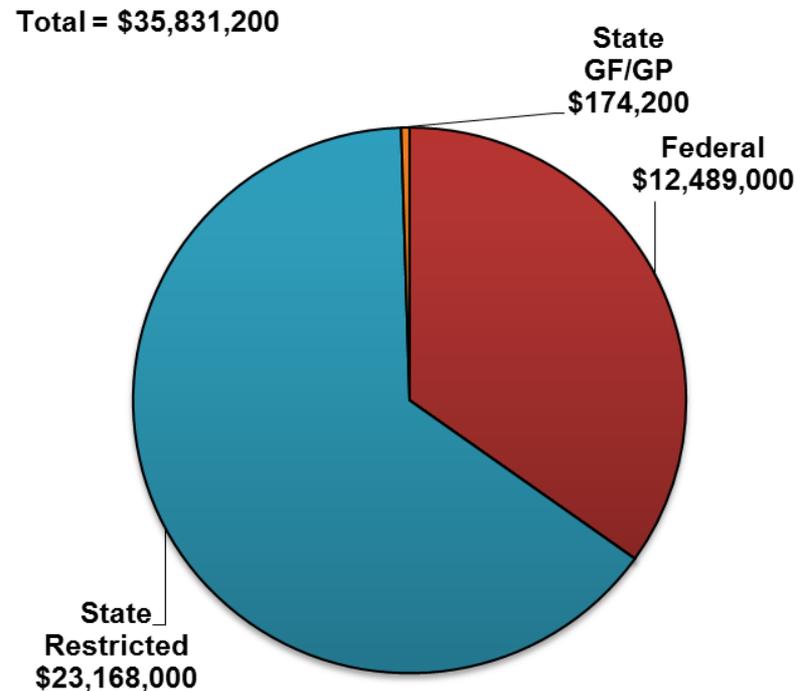
Occupational Regulation

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).



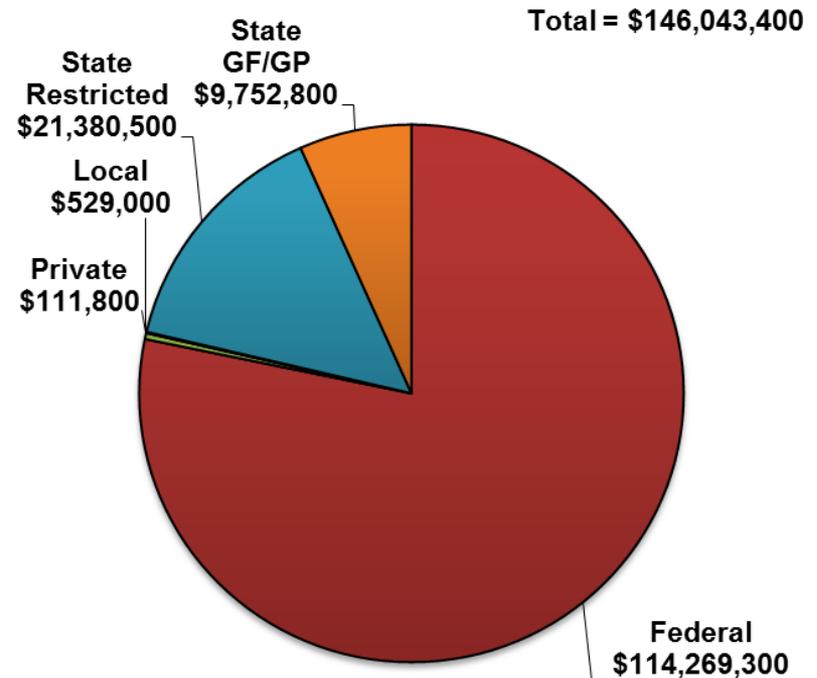
Michigan Occupational Safety & Health Administration

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



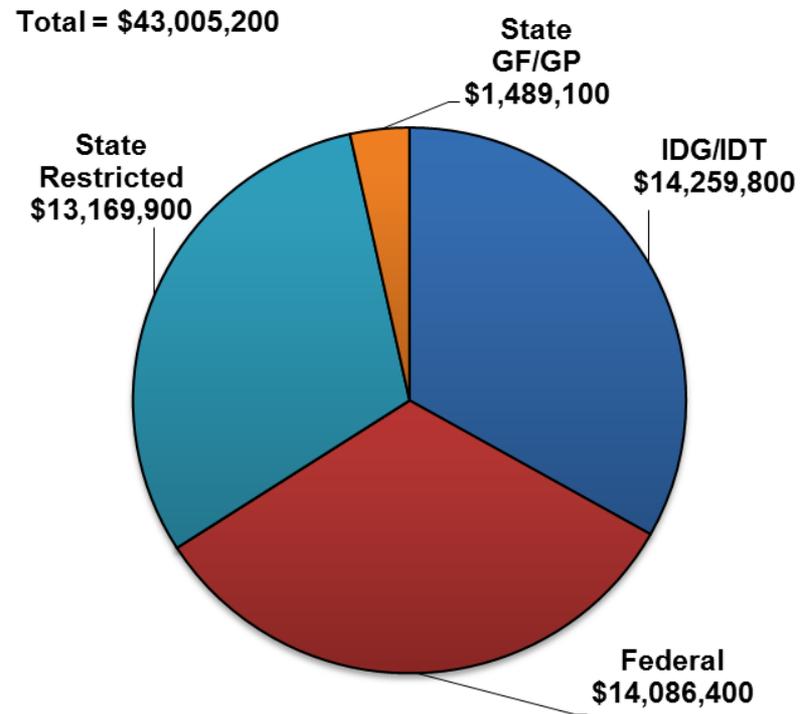
Employment Services

Appropriation unit includes support for the Unemployment Insurance Agency (UIA) which administers federal-state unemployment insurance programs, Workers' 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.



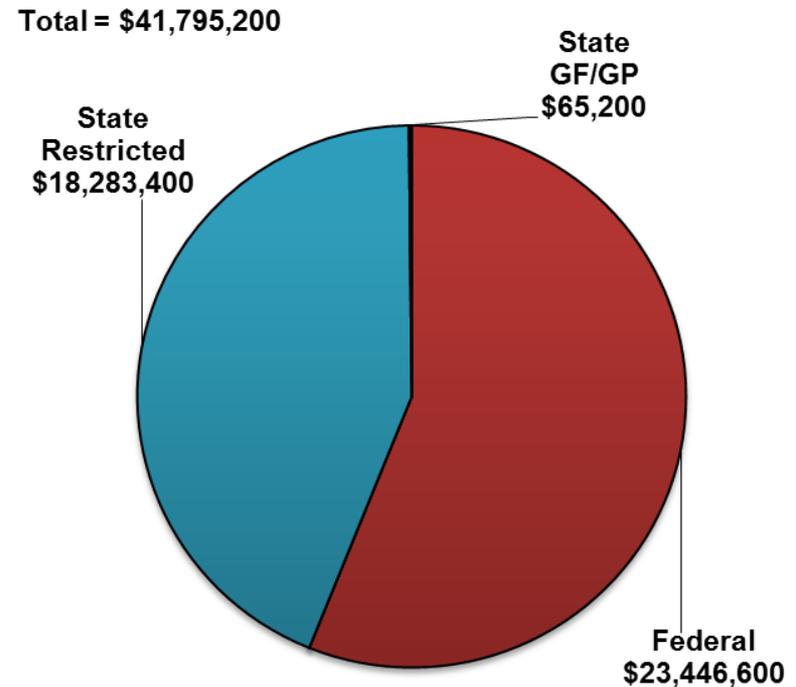
Michigan Administrative Hearing System

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.



Information Technology

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

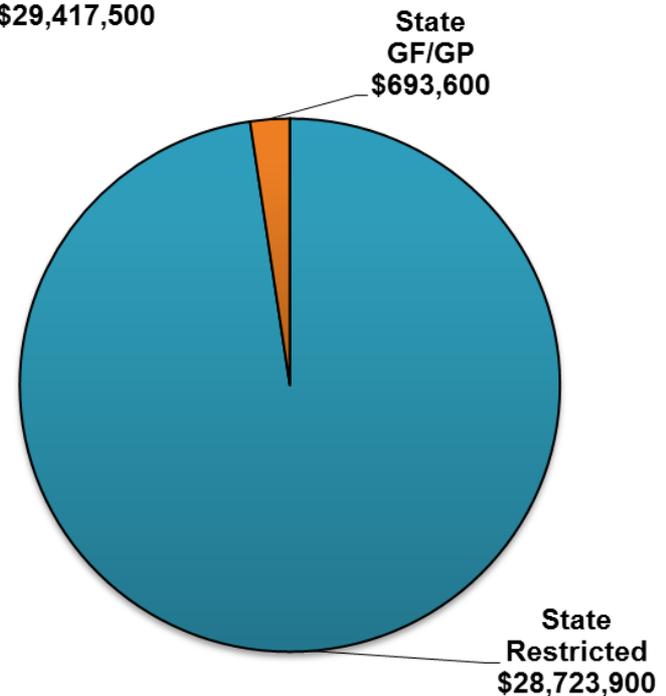


Department Grants

Appropriation unit includes support for various state grant programs, largely to support specified functions of local units of government, administered and awarded by agencies within LARA:

- Fire Protection Grants
- Firefighter Training Grants
- Liquor Law Enforcement Grants
- Medical Marijuana Operations & Oversight Grants
- Remonumentation Grants
- Subregional Libraries State Aid
- Utility Consumer Representation
- Youth Low-Vision Program

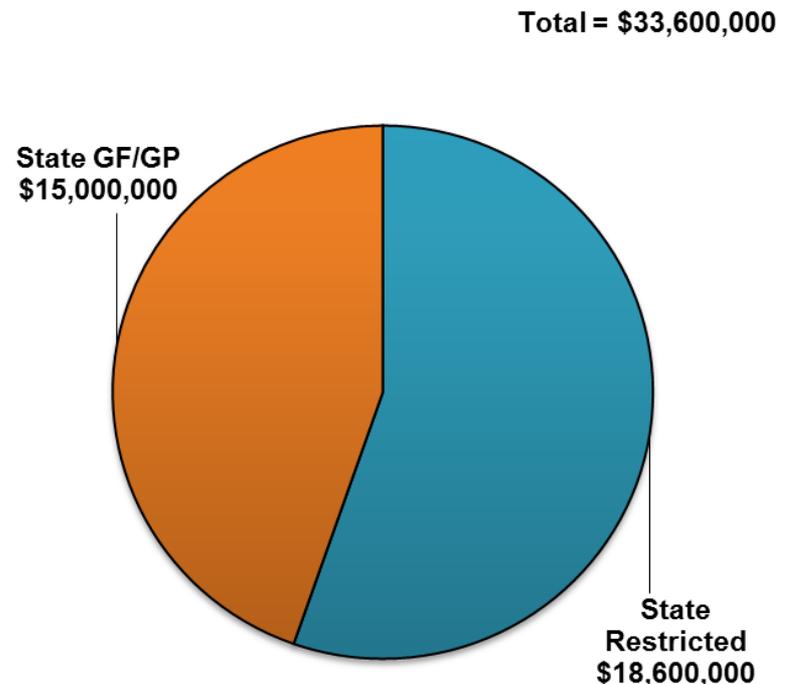
Total = \$29,417,500



One-Time Basis Only

Appropriation unit includes funding intended by the Legislature to be one-time allocations which are not intended to be reauthorized for future fiscal years:

- Replacement of the IT system currently used by the LCC
- Maintenance of UIA customer services subsequent to reductions of federal grants
- Improvement of building accessibility for the disabled
- Settlement of workers' compensation claims of former employees of Delphi Corporation

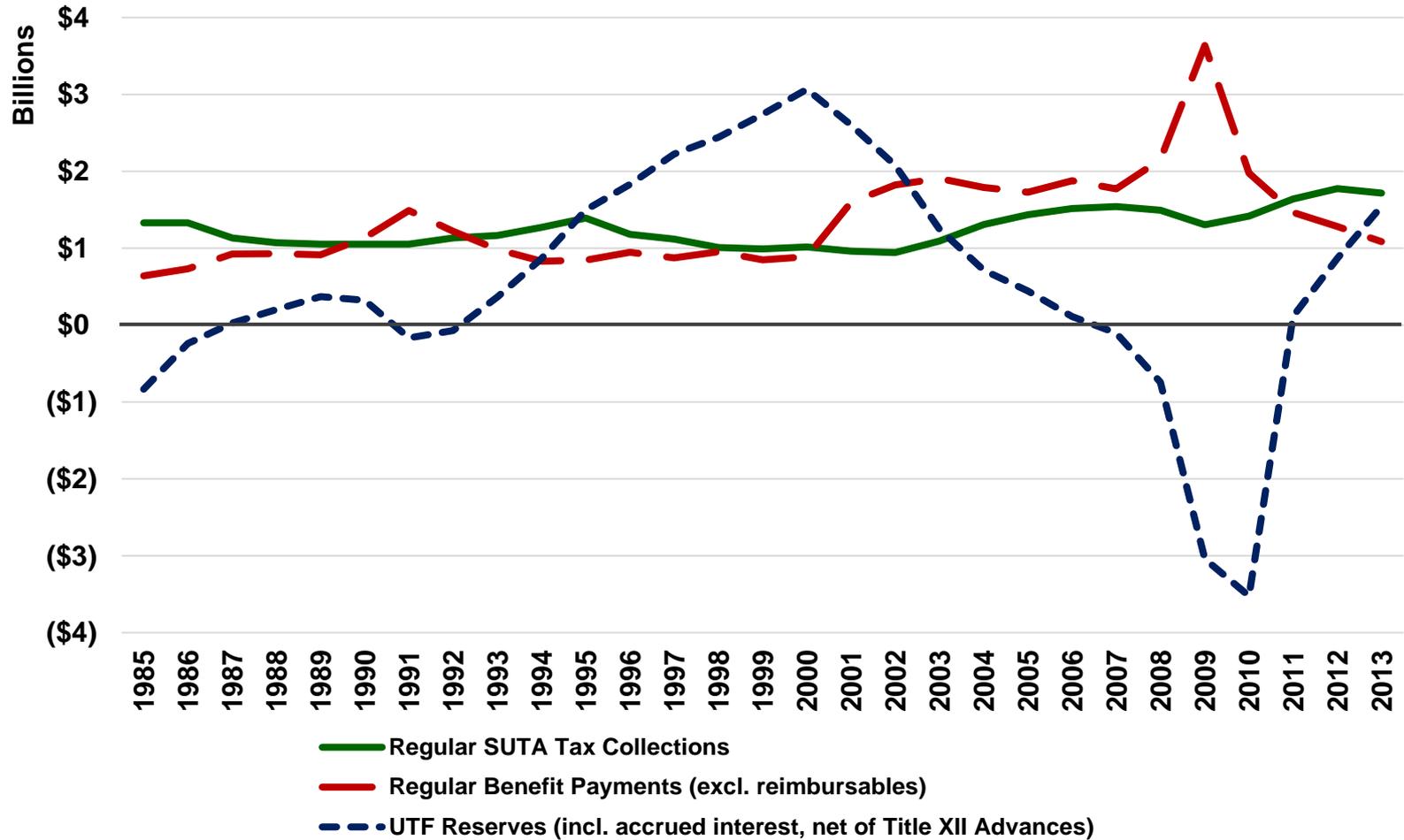


Unemployment Insurance

- Unemployment benefits are primarily supported by state payroll taxes levied on eligible employers and are not subject to the state 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 only about half of the amount recommended by the federal government**

Unemployment Insurance

Unemployment Trust Fund



Workers' Compensation Claims of Former Employees of Delphi Corporation

- The Self-Insurers Security Fund (SISF) is created by 1969 PA 317, and supported by assessments on self-insured employers, to pay workers' compensation benefits to disabled employees whose prior employer were self-insured and became insolvent
- Delphi Corporation was self-insured for workers' compensation, was reorganized under bankruptcy protection in 2009, and ceased paying workers' compensation benefits to nearly 300 former employees
- Total potential liability to the SISF of these claims is estimated at \$42.4 million, of which \$20.5 million in reserves has already accumulated and an additional \$1.9 million is anticipated from regular assessments
- Recent amendments to 1969 PA 317 facilitate a temporary 0.5% increase in the assessment for the SISF estimated to generate \$5.0 million over five years and payments from the SISF for approved Delphi claims
- FY 2015 LARA budget includes \$15.0 million of GF/GP, \$8.0 million in FY 2015 and \$7.0 million over five years, for the settlement of Delphi claims

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

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