

**Summary: Executive Budget Recommendation  
for Fiscal Years 2015-16 and 2016-17  
LICENSING AND REGULATORY AFFAIRS**



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	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$14,509,800	\$0	\$14,509,800	\$15,754,900	\$1,245,100	8.6
<b>Federal</b>	200,624,800	0	200,624,800	200,388,700	(236,100)	(0.1)
<b>Local</b>	656,500	0	656,500	679,000	22,500	3.4
<b>Private</b>	311,800	0	311,800	311,300	(500)	(0.2)
<b>Restricted</b>	286,351,500	112,500	286,464,000	304,248,600	17,784,600	6.2
<b>GF/GP</b>	40,133,800	(312,500)	39,821,300	24,223,400	(15,597,900)	(39.2)
<b>Gross</b>	<b>\$542,588,200</b>	<b>(\$200,000)</b>	<b>\$542,388,200</b>	<b>\$545,605,900</b>	<b>\$3,217,700</b>	<b>0.6</b>
<b>FTEs</b>	2,877.8	0.0	2,877.8	2,877.8	0.0	0.0

Notes: (1) FY 2014-15 year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (4) See Tables X and X for projected FY 2016-17 budget amounts under Executive Recommendation.

**Overview**

The Department of Licensing and Regulatory Affairs (LARA) is primarily responsible for business regulatory and employment services programs and is organized according to its four principal functions: 1) Licensing and Regulation, which implements and enforces statutory laws and administrative rules pertaining to commercial and occupational, construction and fire safety, healthcare professional and facility, public utility, and liquor regulation; 2) Employment Security and Workplace Safety, which oversees unemployment and workers' compensation insurance, occupational safety and health standards, labor and wage laws, and vocational rehabilitation services for the blind; 3) the Michigan Administrative Hearing System (MAHS), a quasi-judicial agency which centralizes and conducts administrative hearings for agencies throughout state government; and 4) the Office of Regulatory Reinvention (ORR), which manages administrative rule-making and evaluates the state's regulatory infrastructure. The agencies within LARA are primarily supported by revenue generated through numerous fees collected from regulated entities and various federal grants awards.

**Major Budget Changes From Adjusted FY 2014-15 Appropriations**

**1. Career & Technology Education & Skilled Trades Initiative**

Includes spending authorization for various programs intended to enhance career and technology education and skilled trades training; consisting of \$10.0 million for the Skilled Trades Training Program (in addition to an existing \$10.0 million appropriation within the MSF budget), \$2.1 million for an At-Risk Youth Initiative, \$1.8 million for a Michigan Advanced Technical Training Initiative, \$1.5 million to enhance re-employment opportunities for unemployed workers, and \$200,000 to support the re-tooling of credentials received by persons immigrating to Michigan. The Initiative is primarily supported with revenue from the Penalty and Interest Account of the Unemployment Insurance Agency's Contingent Fund and partially with federal unemployment insurance administration grants.

	FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Executive Change
<b>Gross</b>	NA	<b>\$15,600,000</b>
Federal	NA	1,500,000
Restricted	NA	14,100,000

<b>Major Budget Changes From Adjusted FY 2014-15 Appropriations</b>		<b>FY 2014-15 Adjusted Year-to-Date</b>	<b>FY 2015-16 Executive Change</b>
<b>2. Unemployment Insurance Customer Service</b>		<b>Gross</b>	<b>\$18,000,000</b>
Transfers spending authorization from one-time to include as ongoing for the maintenance of customer services at the Unemployment Insurance Agency (UIA), supported with revenue from the Penalty and Interest Account of the Contingent Fund (Fund) in which penalties, damages, and interest collected from employers and claimants are deposited. In August of 2012, due to the decline in the state's Insured Unemployment Rate, the federal government reduced the amount of administration grants to the UIA by \$37.2 million, resulting in 402 FTEs being laid-off, and there continues to be uncertainty concerning the amounts of quarterly grant awards. The Legislature approved a contingency transfer authorizing \$5.0 million from the Fund to support the maintenance of UIA operations during both FY 2012-13 and FY 2013-14 and included a one-time appropriation of \$18.0 million for FY 2014-15 (see #6 below). In July of 2014, the U.S. Department of Labor has notified the UIA that it is "at risk" of decertification, resulting in loss of federal employer tax credits and administration grants, for failing to satisfy timeliness standards for first benefit payments and determination of appeals.		Restricted	18,000,000
			<b>\$0</b>
			<b>0</b>
<b>3. Eliminate Statutory Fee Sunsets</b>		<b>Gross</b>	<b>\$67,173,200</b>
Assumes revenues generated by the elimination of sunsets on numerous past statutory fee increases, set to expire on September 30, 2015, on various business and nonprofit filing and securities registration fees collected by the Corporations, Securities, and Commercial Licensing Bureau (CSCLB) and numerous occupational registration and licensure fees collected by the CSCLB and the Bureau of Construction Codes (BCC). LARA estimates that the elimination of these fee sunsets will preserve <u>\$17.5 million</u> in restricted revenue during FY 2015-16. The Legislature increased these fees between 2003 and 2008 and last extended the sunsets in 2012.		Restricted	67,173,200
			<b>\$0</b>
			<b>0</b>
<b>4. Increase Health Facilities Fees</b>		<b>Gross</b>	<b>\$3,702,900</b>
Assumes revenues generated by implementation of increases in application, base rate, and per bed regulatory fees levied on acute and psychiatric hospitals, hospice agencies and residences, long term care and freestanding surgical outpatient facilities, and substance use disorder programs, and collected by the Bureau of Health Care Services (BHCS). LARA estimates these fee increases would generated an additional <u>\$1.3 million</u> per annum. These fees were last adjusted between 20 and 35 years ago and the increases are substantially similar to those proposed by the BHCS in the annual report required by boilerplate Sec. 509 of 2014 PA 252. It is further assumed that fees would be levied annually while inspections of facilities would be triennial. No increase in spending authorization is required as the Health Systems Fees fund, into which these fees are deposited, is over-appropriated.		Restricted	3,702,900
			<b>\$0</b>
			<b>0</b>
<b>5. Increase Liquor License Fees</b>		<b>Gross</b>	<b>\$15,280,000</b>
Assumes and increases spending authorization for revenues generated by implementation of increases in annual licensure and ancillary fees levied on various on- and off-premise retailers of beer, wine, and liquor products and collected by the Liquor Control Commission (LCC). These fees would be increased by 50.0% for FY 2015-16 through FY 2018-19 and thereafter the increase would be reduced to 25.0% above current levels. LARA estimates these fee increases would generated an additional <u>\$6.2 million</u> per annum through FY 2018-19 and \$3.1 million thereafter. Annual licensure fees were last adjusted in 1976. Generally, 55.0% of licensure fee revenue is distributed to local law enforcement agencies for the enforcement of state liquor laws, 41.5% of licensure fee revenue and all ancillary fee revenue is retained by the LCC for implementation and enforcement of state liquor laws, and 3.5% of annual licensure fee revenue and all of the 15.0% surcharge for Sunday P.M. sales is deposited with the Department of Community Health for programs for the prevention, rehabilitation, care, and treatment of alcohol-related illnesses.		Restricted	15,280,000
			<b>\$5,262,900</b>
			<b>5,262,900</b>

<b>Major Budget Changes From Adjusted FY 2014-15 Appropriations</b>		<b>FY 2014-15 Adjusted Year-to-Date</b>	<b>FY 2015-16 Executive Change</b>	
<b>6. FY 2014-15 One-Time Appropriations</b>		<b>Gross</b>	<b>\$15,700,000</b>	<b>(\$15,700,000)</b>
Removes spending authorization for FY 2014-15 one-time appropriations for Delphi Corporation workers' compensation payments (\$15.0 million GF/GP), Liquor Control Commission IT upgrades (\$500,000 Gross), and a disability access pilot project implemented by the Disability Advocates of Kent County (\$100,000 Gross). Also, eliminates \$100,000 GF/GP appropriated by 2014 PA 414 for costs incurred by the Bureau of Employment Relations to receive and upload specified collective bargaining documents. One-time spending authorization for customer services at the Unemployment Insurance Agency customer service (\$18.0 million Gross) is transferred to ongoing authorization (see #2 above).		Restricted	600,000	(600,000)
		GF/GP	\$15,100,000	(\$15,100,000)
<b>7. Michigan Business One Stop Charges</b>		<b>Gross</b>	<b>\$41,795,200</b>	<b>(\$2,147,900)</b>
Decreases spending authorization for information technology charges by the Department of Technology, Management, and Budget, resultant from the elimination of the Michigan Business One Stop web portal and call center pursuant to 2014 PA 252.		Federal	23,446,600	(76,900)
		Restricted	18,283,400	(2,071,000)
		GF/GP	\$65,200	\$0
<b>8. Corporate and Commercial Licensing Databases</b>		<b>Gross</b>	<b>\$41,795,200</b>	<b>\$1,820,000</b>
Increases spending authorization for information technology costs engendered by upgrades to the databases utilized by the Corporation, Securities, and Commercial Licensing Bureau (CSCLB) for regulatory, examination, registration, and licensure activities pursuant to state laws applicable to business and nonprofit entities or various professional occupations.		Federal	23,446,600	0
		Restricted	18,283,400	1,820,000
		GF/GP	\$65,200	\$0
<b>9. METRO Authority</b>		FTE	3.0	(3.0)
Eliminates spending and staff authorization for the Metropolitan Extension Telecommunication Rights-of-Way Oversight (METRO) Authority abolished via 2014 PA 88. This authorization also included LARA's expenses related to compliance with and coordination of and Freedom of Information Act (FOIA) requests. The METRO Authority and LARA's FOIA costs were supported with Public Utility Assessments levied pursuant to 1972 PA 299.		<b>Gross</b>	<b>\$383,600</b>	<b>(\$383,600)</b>
		Restricted	383,600	(383,600)
<b>10. FOIA Coordination and Local Community Stabilization Authority</b>		FTE	NA	3.0
Increases spending and staff authorization for the expenses related to the powers, duties, functions, and responsibilities of the former METRO Authority transferred to the Local Community Stabilization Authority (LCSA) via 2014 PAs 86 and 88. LARA is currently negotiating a contract with the LCSA which is intended to establish a funding mechanism to support these expenses. This authorization also includes LARA's expenses related to compliance with and coordination of and Freedom of Information Act (FOIA) requests, supported with statutory filing fees levied on business on nonprofit entities.		<b>Gross</b>	<b>NA</b>	<b>\$452,900</b>
		Local	NA	150,000
		Restricted	NA	302,900
<b>11. Michigan Administrative Hearing System Overhead Costs</b>		FTE	215.0	0.0
Increases spending authorization to support the overhead costs (e.g., property management, information technology, and departmental administration) of the Michigan Administrative Hearing System (MAHS) associated with administrative hearings on decisions made under programs administered by other state departments and agencies.		<b>Gross</b>	<b>\$38,425,800</b>	<b>\$1,014,200</b>
		IDG/IDT	14,259,800	1,014,200
		Federal	9,842,600	0
		Restricted	12,834,300	0
		GF/GP	\$1,489,100	\$0
<b>12. Technical Adjustments</b>		FTE	5.0	0.0
Includes multiple adjustments to spending and staff authorizations for numerous funds affecting various line items to more accurately reflect available and appropriate revenues and align authorization with actual operations; technical adjustments may involve increasing or decreasing spending or staff authorization or shifting authorization between fund sources within a single line item or transferring spending or staff authorization between line items.		<b>Gross</b>	<b>\$83,811,700</b>	<b>(\$807,700)</b>
		IDG/IDT	100,000	900,000
		Federal	38,375,600	(1,289,000)
		Local	127,500	(127,500)
		Restricted	44,758,600	158,800
		GF/GP	\$450,000	(\$450,000)
<b>13. Economic Adjustments</b>		<b>Gross</b>	<b>NA</b>	<b>(\$1,893,800)</b>
Reflects net cost adjustments for negotiated salary and wage increases (2.0% of base), insurance rates, actuarially-determined retirement benefit rates, other post-employment benefits prefunding, workers' compensation costs, building occupancy charges, rent, and other incidental adjustments.		IDG/IDT	NA	(62,100)
		Federal	NA	(977,900)
		Private	NA	(500)
		Restricted	NA	(805,400)
		GF/GP	NA	(\$47,900)

## **Major Boilerplate Changes From FY 2014-15**

### **Sec. 205. Benchmarks for New Programs or Program Expansions – DELETED**

Requires LARA to submit reports to the Legislature identifying specific benchmarks intended to measure the performance or return on taxpayer investment of new programs or program expansions and updating the Legislature on the progress of the programs as measured by those benchmarks; stipulates that the Legislature intends that benchmarks be included with executive budget requests beginning with the FY 2015-16 budget.

### **Sec. 211. LCC IT Upgrades Work Project – DELETED**

Designates the appropriation for Liquor Control Commission (LCC) IT upgrades as a work project, stipulates that the appropriation remain available and shall not lapse, and indicates that the estimated completion date is February 1, 2016.

### **Sec. 212. Records Retention – DELETED**

Requires LARA to retain all records in accordance with state and federal guidelines.

### **Sec. 215. Communications with the Legislature – DELETED**

Prohibits LARA from taking disciplinary action against an employee for communicating with a member of the Legislature or their staff.

### **Sec. 219. Office Space Utilization Report – DELETED**

Requires LARA to submit a report pertaining to the amount of office space paid for during the previous year, the amount actually utilized during the previous year, and the estimated amount that will be utilized during the current and subsequent years.

### **Sec. 232. Television and Radio Productions – DELETED**

Prohibits LARA from developing or producing television or radio productions.

### **Sec. 240. Filled FTE Report – DELETED**

Stipulates that the Legislature intends that LARA does not use FTE positions as spending placeholders and requires LARA to provide a report specifying the quarterly number of filled FTE positions by line item and indicating FTEs allocated to economic development activities during the preceding fiscal year.

### **Sec. 241. Informational, Training, and Special Events Revenues and Expenditures – REVISED**

Stipulates that LARA may charge registration fees for events sponsored by LARA, that fees shall reflect costs of sponsoring events, that revenue generated by fees is appropriated for sponsorship costs, that excess revenue shall carry-forward, requires annual report pertaining to revenues and expenditures related to events, and limits appropriation to \$500,000. *Eliminates reporting requirement.*

### **Sec. 243. Reinventing Performance in Michigan MOUs – DELETED**

Requires LARA to work to establish memorandums of understanding (MOUs) with participating state departments to devise a mechanism to recover costs related to services performed for the Reinventing Performance in Michigan (RPM) initiative, requires an annual report, and stipulates the Legislature's intent that the RPM shall be funded by participating state departments.

### **Sec. 245. Healthy Michigan Plan Accounting Structure – DELETED**

Requires LARA in conjunction with the Department of Community Health (DCH) to establish accounting structures within MAIN which will facilitate the identification of expenditures associated with the Healthy Michigan Plan and requires LARA to annually provide the Legislature with relevant accounting scripts and reports.

### **Sec. 246. Regulatory Statistical Report – DELETED**

Requires LARA to submit an annual report that includes statistical information pertaining to revenues, expenditures, application determinations, timeliness, examinations, complaints, investigations, enforcement actions, administrative hearings, and adjudications for each regulatory product administered by regulatory agencies within LARA.

### **Sec. 250. OPEB Prefunding – DELETED**

Stipulates that the Legislature intends that LARA continues the prefunding of other postemployment benefits (OPEB) pursuant to 2011 PA 264.

### **Sec. 503. Veteran Fee Exemption Report – REVISED**

Requires LARA to submit a report providing information about the number of veteran fee exemptions from licensure, registration, filing, and other fees, the amount of revenue lost due to veteran fee exemptions during the preceding fiscal year, the costs of providing licensing and regulatory services to veterans exempted from the fees, and estimate the amount of revenue lost due to the veteran fee exemptions in future fiscal years. *Eliminates reporting requirement concerning future fiscal years.*

### **Sec. 505. Homeowner Construction Lien Recovery Fund – REVISED**

Appropriates unexpended funds in the Homeowner Construction Lien Recovery Fund for payment of court-ordered construction lien judgments entered prior to the repeal of the Fund on August 23, 2010 and includes a financial reporting requirement. *Eliminates reporting requirement.*

## **Major Boilerplate Changes From FY 2014-15**

### **Sec. 506. Nursing Facility Complaint Investigations Report – DELETED**

Requires LARA to report the timeliness of nursing facility complaint investigations, the number of allegations that are substantiated on an annual basis, the most frequently cited complaint deficiencies for the prior three years, the causes of the changes in the number of citations, and whether education and training are needed; also requires LARA to make every effort to contact complainants during the investigations.

### **Sec. 507. Medical Marijuana Program Report and Fees – REVISED**

Requires LARA to submit a report pertaining to the revenue, expenditures, application determinations, and timeliness of the Medical Marijuana Program and other specified information; permits LARA to raise application and renewal fees if revenue is insufficient to offset expenses of the Program. *Eliminates delineated reporting requirements and authorization to increase fees.*

### **Sec. 509. Bureau of Health Care Services Regulatory Costs and Fee Report – DELETED**

Requires the Bureau of Health Care Services (BHCS) to submit to the Legislature a proposed updated fee schedule to offset BHCS' regulatory costs, including recommended statutory and rule changes.

### **Sec. 510. Support for BHCS Inspections of FSOFs – DELETED**

Requires that the Bureau of Health Care Services (BHCS) expend at least \$530,000 of the amount appropriated within the Health Systems Regulation line item in Part 1 for the inspection of Freestanding Surgical Outpatient Facilities (FSOFs).

### **Sec. 512. Public Availability of BHCS Disciplinary Actions – DELETED**

Requires the Bureau of Health Care Services (BHCS), to the extent allowed under applicable laws, to make disciplinary actions taken against health professionals publically available through a license verification website and includes language pertaining to one-time appropriation for website development.

### **Sec. 702. UI Computer System Report – DELETED**

Requires quarterly reports on the status of the implementation of and improvements to the Unemployment Insurance Agency's (UIA) integrated IT system project.

### **Sec. 703. UI Internet Claims Report – DELETED**

Requires LARA to submit quarterly reports pertaining to the percentage of claimants using the internet MiWAM system, or any application developed for that purpose, to certify and receive unemployment insurance benefits and implement improvement to the system to reach a goal of 75.0% of claimants certifying on systems that reduces staff face time and MARVIN telephone system usage.

### **Sec. 705. Vocational Rehabilitation Matching Funds – DELETED**

Requires the Bureau of Services for Blind People (BSBP) to work collaboratively with service organizations and governments to identify match dollars and maximize federal vocational rehabilitation funds.

### **Sec. 801. Tax Tribunal Caseload Report – DELETED**

Requires the Michigan Tax Tribunal to submit a report containing specified information pertaining to the caseload, timeliness, dispositions, and backlog of Tax Tribunal cases.

### **Sec. 901. Fire Protection Grants – REVISED**

Requires LARA to expend funds in accordance with 1977 PA 289 to local units of government with state-owned facilities within their jurisdictions and stipulates that local units of government are eligible for funds if they provide a specified report to LARA. *Eliminates reporting requirements for local units of government and the department.*

### **Sec. 903. Firefighter Training Grants – REVISED**

Requires that the appropriation be expended for payments to counties and purposes pursuant to 1966 PA 291, stipulates intent pertaining to how the appropriation is disbursed to counties and specifying a minimum disbursement to each county, requires an annual report identifying potential and actual disbursements and other expenditures, and stipulates intent that unexpended disbursements lapse back into the restricted fund are appropriated in the next fiscal year. *Eliminates intent language that stipulates that each county receives at least a \$5,000 payment and that future appropriations are adjusted to reallocate prior lapses.*

### **Sec. 904. UIA Customer Service Metrics – NEW**

Requires LARA to maintain customer service standards within the Unemployment Insurance Agency and identify specific outcomes and performance metrics, including the Unemployment Benefit Fund balance, fiscal integrity, and the timeliness and quality of determinations concerning unemployment insurance.

### **Sec. 905. Career Tech & Skilled Trades Initiative Metrics – NEW**

Requires LARA to expand workforce training and re-employment services and identify specific outcomes and performance metrics, including new apprenticeships, jobs created and retained, training completion, employment retention, and hourly wages.

## **Major Boilerplate Changes From FY 2014-15**

### ***Sec. 1001. Delphi Corp Workers' Compensation Claims – DELETED***

Stipulates how LARA is to expend the \$15.0 million appropriation (\$8.0 million immediately, \$7.0 million over five years) and specifying under what conditions future expenditures may occur, stipulates that unexpended funds shall lapse to the General Fund, requires LARA to annually notify the Legislature of any expenditures, and designates the appropriation as a work project available for expenditure until September 30, 2019.

### ***Sec. 1002. Disability Accessibility Pilot Project – DELETED***

Requires LARA to work with a nonprofit group with expertise in disability accessibility evaluations on a pilot project to provide services to municipalities and business to improve accessibility for persons with disabilities and create universal design blueprints that are electronically-available through the Bureau of Construction Codes (BCC).