

**Summary: Executive Budget Recommendation  
for Fiscal Years 2013-14 and 2014-15  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS**



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	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
<b>IDG/IDT</b>	\$13,496,900	\$14,228,200	\$731,300	5.4	\$14,228,200	\$0	0.0
<b>Federal</b>	268,708,300	197,470,000	(71,238,300)	(26.5)	198,557,800	1,087,800	0.6
<b>Local</b>	659,900	656,500	(3,400)	(0.5)	656,500	0	0.0
<b>Private</b>	2,011,800	2,011,800	0	0.0	2,011,800	0	0.0
<b>Restricted</b>	324,079,700	320,734,900	(3,344,800)	(1.0)	327,416,900	6,682,000	2.1
<b>GF/GP</b>	36,945,200	38,804,900	1,859,700	5.0	39,351,700	546,800	1.4
<b>Gross</b>	<b>\$645,901,800</b>	<b>\$573,906,300</b>	<b>(\$71,995,500)</b>	<b>(11.1)</b>	<b>\$582,222,900</b>	<b>\$8,316,600</b>	<b>1.4</b>
<b>FTEs</b>	3,767.3	3,324.5	(442.8)	(11.8)	3,324.5	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time". (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

**Overview**

The Department of Licensing and Regulatory Affairs (LARA) is organized into four principal functions: 1) 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 regulation; 2) Employment Security and Workplace Safety, which administers unemployment insurance, 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 oversees administrative rule-making and evaluates the state's regulatory infrastructure. The agencies within LARA are primarily supported by various federal grants and revenue generated through numerous fees collected from regulated entities.

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
<b>1. Decreases for the UIA due to Reduced Federal Grants</b>	FTE	1,262.7	(402.0)	0.0
Decreases the Unemployment Insurance Agency's (UIA) spending authorization and FTE positions due to reduced federal grants. The federal government supports the administrative expenses of the UIA through formula grants based on the Insured Unemployment Rate within the state. Due to the decline in the state's Insured Unemployment Rate during 2012, the federal government reduced the amount of these grants and UIA employees were laid-off in 2012.	<b>Gross</b>	<b>\$153,814,400</b>	<b>(\$37,161,900)</b>	<b>\$0</b>
	Federal	148,999,700	(37,161,900)	0
	Restricted	4,814,700	0	0
<b>2. Transfer of Storage Tank Programs from DEQ</b>	FTE	N/A	35.0	0.0
Transfers spending authorization and FTE positions from the Department of Environmental Quality (DEQ) for the Aboveground and Underground Storage Tank Programs to the LARA budget. The state restricted revenues are generated by application, registration, installation, inspection, and certification fees while the federal revenues are supported by grants from the US EPA. E.O. 2012-14 transferred the Aboveground and Underground Storage Tank Programs from the DEQ to the Bureau of Fire Services (BFS).	<b>Gross</b>	<b>N/A</b>	<b>\$4,393,100</b>	<b>\$0</b>
	Federal	N/A	1,255,300	0
	Restricted	N/A	3,137,800	0

**Executive Changes**

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		<b>FY 2012-13 YTD (as of 2/7/13)</b>	<b>FY 2012-13 to FY 2013-14</b>	<b>FY 2013-14 to FY 2014-15</b>
<b>3. Eliminate FY 2012-13 One-Time Appropriations</b>	<b>Gross</b>	<b>\$4,532,200</b>	<b>(\$4,532,200)</b>	<b>\$0</b>
Eliminates FY 2012-13 one-time appropriations for state employee lump-sum payments.	IDG	163,500	(163,500)	0
	Federal	2,316,400	(2,316,400)	0
	Restricted	1,874,800	(1,874,800)	0
	GF/GP	\$177,500	(\$177,500)	\$0
<b>4. Eliminate "Right to Work" Appropriations</b>	FTE	21.0	0.0	0.0
Eliminates the appropriations made by 2012 PAs 348 and 349 for the Bureau of Employment Relations (BER) to implement the acts and inform stakeholders and the public about the acts.	<b>Gross</b>	<b>\$5,984,500</b>	<b>(\$2,000,000)</b>	<b>\$0</b>
	Restricted	3,984,500	0	0
	GF/GP	\$2,000,000	(\$2,000,000)	\$0
<b>5. Eliminate LCC IT Upgrades</b>	<b>Gross</b>	<b>\$2,000,000</b>	<b>(\$2,000,000)</b>	<b>\$0</b>
Eliminates the appropriation for upgrading the Liquor Control Commission's (LCC) COBOL-based IT system. The appropriation was designated a "Work Project" and additional appropriations were anticipated over the next five years.	Restricted	2,000,000	(2,000,000)	0
<b>6. Increase Survey and Remonumentation Grants</b>	<b>Gross</b>	<b>\$5,300,000</b>	<b>\$2,000,000</b>	<b>\$0</b>
Increases spending authorization for Survey and Remonumentation grants, supported with existing and expected revenue reserves. The Bureau of Construction Codes (BCC) administers grants to counties for implementation of their plans to survey, remonument, and maintain the original national Public Land Survey System corners under the State Survey and Remonumentation Act of 1990. These grants are supported by statutory fees collected from county Registers of Deeds.	Restricted	5,300,000	2,000,000	0
<b>7. Decrease Rent for UIA Detroit Offices</b>	<b>Gross</b>	<b>\$8,612,600</b>	<b>(\$900,000)</b>	<b>\$0</b>
Decreases rent payments from the Unemployment Insurance Agency (UIA) to recognize the UIA's move out of the state-leased Fisher Building into the state-owned Cadillac Building in Detroit.	Federal	4,022,800	(900,000)	0
	Local	127,500	0	0
	Restricted	4,442,500	0	0
	GF/GP	\$19,800	\$0	\$0
<b>8. Increase Liquor Law Enforcement Grants</b>	<b>Gross</b>	<b>\$6,600,000</b>	<b>\$600,000</b>	<b>\$0</b>
Increases the spending authorization for Liquor Law Enforcement grants, supported with existing and expected revenue reserves. The Liquor Control Commission (LCC) administers grants to local law enforcement agencies for the enforcement of the Liquor Control Code of 1998. These grants are supported by 55% of retail liquor license fees collected by the LCC.	Restricted	6,600,000	600,000	0
<b>9. Increase IT Services and Projects to DTMB</b>	<b>Gross</b>	<b>\$42,216,100</b>	<b>\$443,300</b>	<b>\$0</b>
Increases spending authorization for IT services and projects to reflect LARA's share of DTMB's statewide projects to replace Windows XP, recover economics for the Center for Shared Solutions, and expand wireless connectivity and internet bandwidth.	Federal	23,019,700	221,400	0
	Restricted	19,131,200	221,900	0
	GF/GP	\$65,200	\$0	\$0
<b>10. Targeted Increases in Unclassified Salaries for MAHS</b>	FTE	57.5	0.0	0.0
Increases the annual salaries for select administrative law judges serving on the Michigan Tax Tribunal, Worker's Compensation Board of Magistrates, and Michigan Compensation Appellate Commission within the Michigan Administrative Hearing System (MAHS) to better attract and retain qualified lawyers by offering compensation competitive with the private sector.	<b>Gross</b>	<b>\$4,595,900</b>	<b>\$176,300</b>	<b>\$0</b>
	Federal	944,400	28,200	0
	Restricted	3,551,500	148,100	0
	GF/GP	\$100,000	\$0	\$0

**Executive Changes**

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		<b>FY 2012-13 YTD (as of 2/7/13)</b>	<b>FY 2012-13 to FY 2013-14</b>	<b>FY 2013-14 to FY 2014-15</b>
<b>11. Transfer of Prevailing Wage Functions from MSF</b>				
Transfers spending authorization and a FTE position relating to prevailing wages on state projects functions from the Michigan Strategic Fund (MSF) to the LARA budget. E.O. 2012-09 transferred functions relating to the Prevailing Wages on State Projects Act of 1965 from the MSF to the Wage and Hour Division within the Michigan Occupational Safety & Health Administration (MIOSHA).	FTE	N/A	1.0	0.0
	<b>Gross</b>	<b>N/A</b>	<b>\$132,300</b>	<b>\$0</b>
	GF/GP	N/A	\$132,300	\$0
<b>12. Align MAHS Spending Authorization and FTEs</b>				
Aligns the spending authorization and FTE positions for the Michigan Administrative Hearing System (MAHS) to accurately reflect the caseload needs of the Departments of Community Health (DCH) and Humans Services (DHS).	FTE	231.4	(2.0)	0.0
	<b>Gross</b>	<b>\$35,418,100</b>	<b>(\$111,500)</b>	<b>\$0</b>
	IDG	13,233,400	(111,500)	0
	Federal	8,531,000	0	0
	Restricted	12,641,000	0	0
	GF/GP	\$1,012,700	\$0	\$0
<b>13. Decrease Excess Spending Authorization</b>				
Decreases spending authorization within several line items from various fund sources to more accurately reflect available revenues.	<b>Gross</b>	<b>\$216,276,900</b>	<b>(\$44,800,000)</b>	<b>\$0</b>
	Federal	183,050,700	(36,500,000)	0
	Restricted	33,226,200	(8,300,000)	0
<b>14. FTE Rebasing</b>				
Increases and decreases FTE positions within several line items, resulting in a net decrease, to more accurately reflect actual staffing levels.	FTE	2,125.2	(74.8)	0.0
<b>15. Offset for Veteran Fee Exemptions</b>				
Offsets state restricted revenues expended by the Bureau of Construction Codes (BCC) and the Michigan Occupational Safety and Health Administration (MIOSHA) with GF/GP. These state restricted revenues were reduced as a result of 2012 PAs 309 through 315 which exempted honorably discharged military veterans from licensing fees charged to plumbers, electricians, mechanical contractors, and various building officials by the BCC and filing fees charged to for-profit, nonprofit, and limited liability companies by the Bureau of Commercial Services (BCS).	<b>Gross</b>	<b>\$3,700,000</b>	<b>\$0</b>	<b>\$0</b>
	Restricted	3,700,000	(3,700,000)	0
	GF/GP	\$0	\$3,700,000	\$0
<b>16. Various Fund Shifts</b>				
Includes various fund shifts within line items between fund sources which net out to zero gross, though they may alter the types of fund sources, which reflect changes in the availability and allocation of funds or reflect changes to more accurately reflect program administration.	<b>Gross</b>	<b>\$6,881,500</b>	<b>\$0</b>	<b>\$0</b>
	Federal	1,777,000	(278,100)	0
	Local	3,400	(3,400)	0
	Restricted	4,552,100	281,500	0
<b>17. Economics Adjustments</b>				
Reflects increased costs for negotiated salary and wage increases, insurance rates, actuarially-required retirement benefit rates, other post-employment benefits prefunding, workers' compensation costs, building occupancy costs and rent, and other incidental economic adjustments within LARA.	<b>Gross</b>	<b>N/A</b>	<b>\$11,765,100</b>	<b>\$8,316,600</b>
	IDG	N/A	1,006,300	0
	Federal	N/A	4,413,200	1,087,800
	Restricted	N/A	6,140,700	6,682,000
	GF/GP	N/A	\$204,900	\$546,800

**Major Boilerplate Changes From FY 2012-13**

*NOTE: No boilerplate language proposed specific to FY 2014-15.*

**Sec. 203. Definitions – REVISED**

Defines various terms and abbreviations used in the bill. Executive eliminates particular definitions.

**Sec. 203. Applicability of Management and Budget Act – DELETED**

Stipulates that the appropriations in this article are subject to the Management and Budget Act of 1984. Executive moves to Article 20.

## **Major Boilerplate Changes From FY 2012-13**

### **Sec. 208. Internet Reports – DELETED**

Requires LARA to use the internet or intranet to fulfill reporting requirements under this article. Executive moves to Article 20.

### **Sec. 209. Buy American and Buy Michigan – DELETED**

Requires LARA to purchase goods and services made in America, preferably in Michigan and preferably by veterans, if competitively priced at comparable quality.

### **Sec. 211. Information Technology Work Projects – DELETED**

Permits appropriations for Information Technology to be designated as work projects and carried forward, including the LCC IT Upgrade.

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

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

### **Sec. 214. Technology User Fees to DTMB – DELETED**

Requires LARA to pay user fees to DTMB for IT services and projects subject to interagency agreements.

### **Sec. 215. State Employee Communication with Legislature – DELETED**

Prohibits LARA from making disciplinary action against employees for communicating with the Legislature.

### **Sec. 217. Out-of-State Travel – REVISED**

Provides several limitations and reporting requirements pertaining to out-of-state travel for LARA employees. Executive eliminates all limitations and reduces reporting requirements.

### **Sec. 219. Office Space Consolidation Plan – DELETED**

Stipulates that the Legislature intends to cooperate with the office space consolidation plan implemented by DTMB.

### **Sec. 225. Private Grant Funded Projects – DELETED**

Requires LARA to report the receipt of a private grant to the Legislature and SBO.

### **Sec. 230. Principal Measurable Outcomes – DELETED**

Requires LARA to identify and rank 10 measurable outcomes by October 31, 2012 and provide biennial updates on efforts and improvements in those outcomes by April 1.

### **Sec. 12-209. Department Scorecard Website – NEW**

Requires LARA to maintain a department scorecard website that identifies, updates, and tracks key metrics to monitor the department's performance.

### **Sec. 232. LARA Television Productions – DELETED**

Prohibits LARA from developing or producing any television productions.

### **Sec. 236 One-Time Lump-Sum Payments Report – DELETED**

Requires LARA to provide a report with information about every employee that receives a payment of more than \$1,000.

### **Sec. 332. UI Computer System Report – DELETED**

Requires LARA to provide a quarterly report with specified information on the development of the unemployment insurance agency's integrated IT system project to the Legislature and SBO.

### **Sec. 333. UI Internet Claims Report – DELETED**

Requires LARA to provide a quarterly report the percentage of claimants using the internet MARVIN system to certify and receive benefits and implement improvement to the system to reach a goal of 50% of claimants certifying on the system.

### **Sec. 340. Workplace Deaths and Injuries Report – DELETED**

Requires LARA to provide an annual report on the number of individuals killed or injured on the job for the most recent year data are available to the Legislature and SBO.

### **Sec. 341. Administrative Rules Restriction – DELETED**

Prohibits LARA from promulgating any rule more stringent than an applicable federal standard unless authorized by statute.

### **Sec. 342. Training Grant to Mining Industry – DELETED**

Requires LARA to allocate not less than \$800,000 of MIOSHA CET grants to nonprofit organizations representing the mining industry.

### **Sec. 368. Regulatory Statistical Report – DELETED**

Requires LARA to provide a report containing specified information on the licensing and regulatory activities of the Bureau of Commercial Services and Construction Codes to the Legislature and SBO.

### **Sec. 390. Tax Tribunal Caseload Report – DELETED**

Requires the Michigan Tax Tribunal to provide a report containing specified information about the caseload, dispositions, and backlog of tax tribunal cases to the Legislature and SBO.

### **Major Boilerplate Changes From FY 2012-13**

#### ***Sec. 603. Local Match Requirements for Facilities Establishment Grants – DELETED***

Stipulates that the local match for vocational rehabilitation facilities establishment grants shall not exceed 21.3%.

#### ***Sec. 604. Centers for Independent Living – DELETED***

Stipulates that all funds appropriated to Independent Living shall be used in support of Centers for Independent Living in underserved areas and the build capacity in compliance with federal regulations and consistence with the State Plan for Independent Living.

#### ***Sec. 611. Vocational Rehabilitation Matching Funds – DELETED***

Requires the MRS and MCB work collaboratively with service organizations and governments to identify match dollars and maximize federal vocational rehabilitation funds.

#### ***Sec. 714. Nursing Facility Complaint Investigations Report – DELETED***

Requires LARA to report the timeliness of nursing facility complaint investigations and the number of allegations that are substantiated on an annual basis to the Legislature and SBO and requires LARA to make every effort to contact complainants during the investigations.

#### ***Sec. 726. Medical Marihuana Program Fees – REVISED***

Requires LARA to provide a report of all information pertaining to the revenue and expenditures of the Medical Marihuana Program and other specified information to the Legislature and SBO and permits LARA to raise application and renewal fees if revenue is insufficient to offset expenses of the Program. Executive eliminates reporting requirements.

#### ***Sec. 12-313. Health Systems and Radiological Health Revenue Carry-Forward – NEW***

Permits LARA to carry-forward excess revenue collections for the Health Systems Administration or Radiological Health Administration.

#### ***Sec. 731. Bureau of Health Systems Regulatory Costs and Fee Report – DELETED***

Requires BHS to provide a report to the Legislature pertaining to the costs to regulate each of the several types of health facilities, a proposed fee schedule to offset BHS' regulatory costs, and recommended statutory and rule changes.

#### ***Sec. 732. Support for BHS Inspections of FSOFs – DELETED***

Stipulates that the Bureau of Health Systems expend at least \$530,000 on the inspections of Freestanding Surgical Outpatient Facilities (FSOFs).