

DATE: September 25, 2003
TO: Members of the House of Representatives
FROM: Mitchell E. Bean, Director
RE: Executive Order 2003-14

This memo was prepared to provide House members with an overview of programs and functions affected by Executive Order 2003-14, and possible fiscal implications. The proposed restructuring of departments is summarized in the flowchart attached; details of board, commission, and council membership and appointing authority changes contained in the order are noted in the accompanying table.

In accordance with the *State Constitution*, EO 2003-14 will become effective on November 17, 2003, unless both the House of Representatives and the Senate disapprove the order by that date, by a resolution concurred in by a majority of those elected and serving in each chamber. The following provides a brief description of the movement of programs and functions shown and described in the attached.

Transfers from Consumer and Industry Services:

- Two Bureaus, one Commission, and one Committee to the Department of Community Health
- One Bureau to the Family Independence Agency
- Program oversight responsibility to the Department of Transportation
- One Authority to the Department of Treasury, Broadband Development Authority

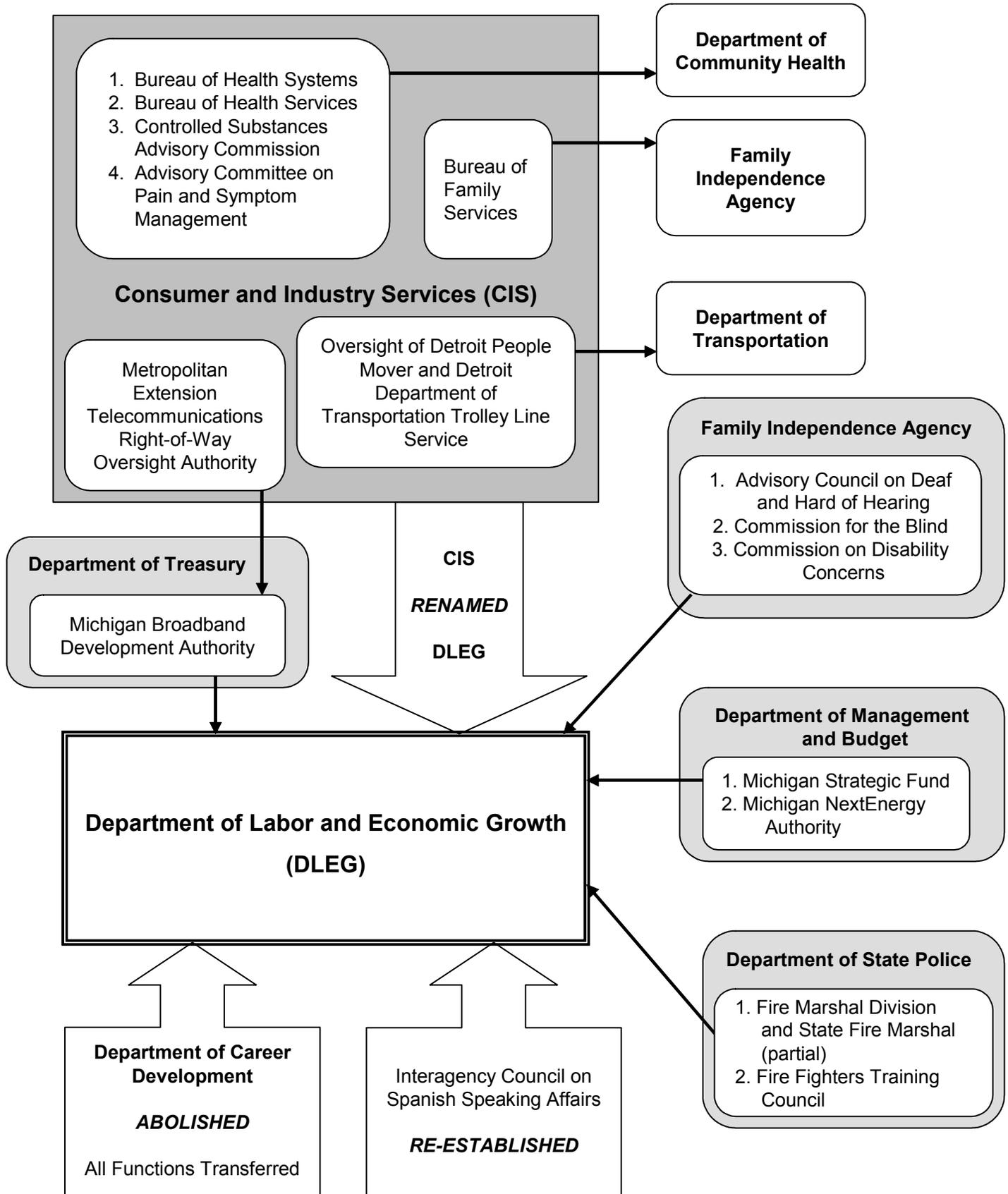
Consumer and Industry Services is then ***re-named*** Department of Labor and Economic Growth.

Transfers to the Department of Labor and Economic Growth:

- One Authority from the Department of Treasury
- One Council and two Commissions from the Family Independence Agency
- One Fund and one Authority from the Department of Management and Budget
- One Council and partial responsibility for one Division from Department of State Police
- All functions of the Department of Career Development (which is abolished)
- Re-established Interagency Council on Spanish Speaking Affairs

The attached was prepared by Steve Stauff, HFA Fiscal Analyst, with assistance from other Agency fiscal analysts. If you should have any questions regarding this material, please do not hesitate to contact Steve at 373-8080. I am also available to answer any questions you may have.

Executive Order 2003-14



Review and Analysis of Executive Order 2003-14

Executive Order 2003-14, issued by Governor Granholm on September 17, 2003, provides for an executive reorganization of the functions administered by nine state departments and agencies.

The Governor's order creates the Department of Labor and Economic Growth (DLEG) by renaming the Department of Consumer and Industry Services, and making other changes, with the intention that "reorganizing labor and economic development functions into one principal department will ensure more efficient use of taxpayer dollars and will allow the state to offer more streamlined services ... development of cooperative economic alliances between business and labor will improve the lives of Michigan's working families and the vitality of Michigan businesses."

The Executive Order (EO) encompasses several major components. First, there are program administration changes within the Department of Consumer and Industry Services (CIS). The Department of Community Health (DCH) will receive from CIS two bureaus with health regulatory responsibilities (Health Systems and Health Services) and the Controlled Substance Advisory Commission and the Advisory Committee on Pain and Symptom Management. The Family Independence Agency will receive the Bureau of Family Services, and the Department of Transportation will now have oversight responsibility for the Detroit People Mover and the Detroit Department of Transportation Trolley Line Service.

Second, the order renames the Department of Consumer and Industry Services as the Department of Labor and Economic Growth (DLEG) and consolidates other agency and department functions within DLEG. The Department of Career Development is abolished and all functions are transferred to DLEG; the Department of Management and Budget's responsibilities for the Michigan Strategic Fund and the Michigan NextEnergy Authority are transferred to DLEG; responsibility for the Michigan Broadband Development Authority transfers from the Department of Treasury to DLEG; and the Fire Fighters Training Council and part of the Fire Marshal Division transfer from the Department of State Police to DLEG.

Third, the order provides for reorganization within the Department of Labor and Economic Growth, splitting the Bureau of Worker's and Unemployment Compensation into three Type II agencies within DLEG. They are: the Unemployment Insurance Agency, the Worker's Compensation Agency, and the Wage and Hour Division. Other changes include abolishing the Worker's Compensation Appellate Commission, restructuring the responsibilities for the Worker's Compensation Board of Magistrates, and expanding the role for the Worker's Compensation Qualifications Advisory Committee.

Finally, the order details a number of board, commission, committee, and council membership and appointing authority changes noted in the Table included with this explanation.

Consumer and Industry Services

Programs and functions are transferred from CIS to the following:

Department of Community Health

Bureau of Health Systems: Administers programs involved with licensing and certification of various health care facilities, regular surveying and monitoring of these facilities, and licensing and registration of substance abuse programs, emergency medical services authorities, radiation machines, and clinical laboratories.

Bureau of Health Services: Provides for licensing and regulation of various health professions and for receiving and investigating complaints/allegations made against licensees. Program is administered by boards and task forces representing the following professions: chiropractic, dentistry, emergency medical services personnel, medicine, nursing, optometry, osteopathic medicine, pharmacy, podiatry, psychology, physical therapists, physician assistants, sanitarians, occupational therapists, professional counselors, and veterinary medicine. Bureau also includes the Health Occupations Council, which serves in an advisory capacity. This program processes applications for original, renewal, and reciprocal licenses and grants licenses or certificates to applicants who meet the required standards. The Bureau provides training for nurse aide instructors, evaluation programs for nurse aide certifications, a statewide nurse aide registry, and a nursing scholarship program.

Controlled Substances Advisory Commission: Commission was established to monitor indicators of controlled substance abuse and diversion and to recommend actions to address identified problems of abuse and diversion. It consists of 13 voting members and seven ex officio members.

Advisory Committee on Pain and Symptom Management: Committee consists of 18 members from nearly every health professional licensing board. It was established under the Occupational regulation sections of the Michigan Public Health Code, 1998 PA 421, to oversee education and licensure dealing with pain management as well as to review changes in pain and symptom management.

Family Independence Agency

Bureau of Family Services: Involved in investigating and licensing adult foster care facilities, child welfare establishments, and child day care facilities to assure reduction of risk to dependent adults and dependent and/or vulnerable children. Funding is provided for the following divisions: Division of Child Day Care Licensing, Division of Adult Foster Care Licensing, and the Division of Child Welfare Licensing.

Department of Transportation

Detroit People Mover and the Detroit Department of Trolley Line Service: Safety oversight of the Detroit People Mover and the Trolley Line Service is a minimal portion of the responsibilities of 1.0 FTE within the Bureau of Safety and Regulation (MIOSHA). The costs are small and are reimbursed.

Michigan Broadband Development Authority

Metropolitan Extension Telecommunications Rights-of-Way Oversight (METRO) Authority: Empowered to coordinate public right-of-way matters with municipalities and have the exclusive power to assess fees on telecommunication providers owning telecommunication facilities in public rights-of-way within a municipality in a metropolitan area to recover the costs of using the rights-of-way by the provider.

Department of Labor and Economic Growth

The Department of Consumer and Industry Services is renamed the Department of Labor and Economic Growth. The following are transferred to DLEG:

Department of Career Development

The Department of Career Development is abolished with all functions transferred. The Department administered various employment training-related programs, including federal employment training programs for displaced workers, adults, and youth; the Work First and Welfare-to-Work programs, which seek to move welfare recipients into the workplace; Michigan Rehabilitation Services, which provides employment-related services to disabled individuals and their employers; and the Employment Services Agency, which is responsible for assisting unemployed individuals in obtaining jobs. The Department also administered the state's Career Preparation, Career and Technical Education, Adult Education, and Postsecondary Education programs.

Family Independence Agency

Advisory Council on Deaf and Hard of Hearing: This 13-member citizens Advisory Council appointed by the Governor includes, at a minimum, seven members who must be Deaf or Hard of Hearing. The Council advocates for citizens of Michigan who are deaf or hard of hearing.

Michigan Commission for the Blind: Serves approximately 4,000 blind persons annually through its programs: Vocational Rehabilitation Services, Independent Living Services, Deaf Blind Services, Youth Low Vision Services, Business Enterprise Program, and the M.C.B. Training Center. The Commission's primary goal is to provide educational, training, and rehabilitation opportunities to persons who are blind. Created under 1978 PA 260 as amended, the Commission is composed of five members, three of whom must be legally blind.

Michigan Commission on Disability Concerns: Commission includes the Division on Deaf and Hard of Hearing and responds to and advocates on behalf of Michigan's citizens with disabilities. The 21 commissioners are appointed by the Governor.

Department of Management and Budget

Michigan Strategic Fund: Responsibilities focus on economic development, encouraging activity and economic expansion in Michigan, attracting and retaining businesses in the state, and creating a favorable business climate. The fund's programs are primarily administered by the Michigan Economic Development Corporation (MEDC), established by an interlocal agreement authorized by the Urban Cooperation Act of 1967 (MCL 124.501) and the Michigan Constitution in Article VII, Section 28. Michigan Strategic Fund employees and programs are managed and administered through the MEDC to allow for state-local collaboration on economic development efforts.

Michigan NextEnergy Authority (MNEA): Created to promote the development of alternative energy technologies and to provide tax incentives for business activities and property related to the research, development, and manufacturing of those technologies. The MNEA is responsible for certifying taxpayers and property as eligible for tax credits against the Michigan Single Business Tax (SBT) or exemptions from the General Property Tax. The MNEA is governed by a seven-member board.

Treasury Department

Michigan Broadband Development Authority (MBDA): Created to help Michigan attract more private sector investment in high-speed Internet infrastructure and to increase demand for and utilization of broadband services. It does so by offering low-cost loans to telecommunications companies willing to make such investments and by offering organizations low-cost financing for the acquisition of hardware/software applications that will improve or increase their use of broadband service.

Department of State Police

Fire Marshall Division: The following two programs under the Fire Marshal Division are being transferred: the Juvenile Fire Setter Intervention Program and the Public Fire Education Program. Michigan's Juvenile Firesetter Intervention Program was developed to assess a child's level of interest in fire and to provide early intervention in a multi-disciplinary, community-wide format. The program provides specialized training to law enforcement officers, assistant prosecutors, court officers, mental health and social service providers, school personnel, and the fire service. The primary objective of the Public Fire Education Program is to create a climate and atmosphere in Michigan which results in reducing the number of deaths and injuries caused by fire through local training, education programs, and public dissemination of fire safety themes.

Fire Fighters Training Council (FFTC): Serves the training needs of the state's fire departments and fire fighters. It prepares and publishes advisory standards for the selection of fire fighters; prepares and publishes training standards; establishes instructor qualifications and certification; establishes courses of study; evaluates instructors and schools; develops and administers certification examinations for recruit fire fighters; develops and provides a videotape to assist in training fire fighters; establishes regional training centers to assist departments with training; cooperates with state, federal and local fire agencies for training of fire fighters; and issues certificates of training and maintains individual records. The governor appoints six of the seven Council members and the seventh member is the State Fire Marshal, an ex --officio member.

The following is restored and included in DLEG:

Interagency Council on Spanish Speaking Affairs: Re-established with membership of 18 Agency/Department heads or his/her authorized representative.

The following re-structuring occurs within DLEG:

Wage and Hour Division, Worker's Compensation Agency and Unemployment Agency: The order creates from the Bureau of Worker's and Unemployment Compensation the Wage and Hour Division, the Worker's Compensation Agency and the Unemployment Agency as three Type II agencies. Three new administrative heads have been created to oversee each agency.

Worker's Compensation Qualifications Advisory Committee: As created under PA 317 of 1969, the committee is abolished and reestablished with membership expanded from six to ten. The Governor will appoint the chairperson of the new committee and the committee will be able to conduct business with a quorum equal to half of the members appointed and serving.

Worker's Compensation Appellate Commission: All of the functions, powers, and duties of the of the Worker's Compensation Appellate Commission are transferred to the Worker's Compensation Board of Magistrates and all statutory references to the Commission are abolished. The order details modified operating procedures and responsibilities of the Board of

Magistrates. Of the newly-configured Board of Magistrates, eight members will serve as Appellate Magistrates.

Fiscal Impact

The Executive Order provides for a number of program transfers between agencies, changes in board, council, and commission membership; and restructuring within the new Department. It is not clear at this time what the fiscal impact of each of these actions will be, but it can be assumed that the greatest potential for cost changes is most likely in the Department of Labor and Economic Growth.

The Executive's Recommendation for the FY 2003-04 budget suggested operational savings of \$1.2 million with the complete elimination of the Worker's Compensation Appellate Commission. A May 2003 estimate by CIS staff estimates that in FY 2002-03, Commission activities would cost \$1,788,600. The enacted FY 2003-04 bill for the Department of Consumer and Industry Services reflects a savings of \$849,300 by funding only four commissioners, staff and support services. The Executive Order would provide an additional savings in FY 2003-04 of \$939,300 by elimination of the Worker's Compensation Appellate Commission.

Restructuring of the Bureau of Worker's and Unemployment Compensation into three Type II agencies with an equal number of administrative positions created to head each agency may lead to additional costs. Administrative efficiencies may be realized, but are difficult to predict.

What future costs or savings may be to the State of Michigan by consolidating activities "that have to do with growth of the state economy or jobs" into the Department of Labor and Economic Growth, is indeterminate.

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Membership and Appointing Authority Changes in Executive Order 2003-14

<u>Currently</u>	<u>Replaced By</u>	<u>Function</u>
MSP Director, or designee	DLEG Director, or designee	Membership on the Fire Fighters Training Council
Fire Fighters Training Council	Governor	Authority to designate Chairperson of the Fire Fighters Training Council
Fire Safety Board	Governor	Authority to designate Chairperson of the Fire Safety Board
MSP Director designee	DLEG Director designee	Membership on the Electrical Administrative Board
State Fire Marshal, or designee	DLEG Director, or designee	Member on the Board of Mechanical Rules
Treasury, State Treasurer	DLEG Director	Transfers authority to approve Brownfield redevelopment Single Business Tax Credits for projects with cost of \$10,000,000 or less
MEDC President and CEO	DLEG Director	DLEG Director replaces MEDC President and CEO on MBDA Board of Directors
Michigan Jobs Commission President and CEO, or designee	MEDC President and CEO, or designee	Membership on the Michigan Economic Growth Authority (MEGA)
DMB Director, or designee	DLEG Director, or designee	Membership on the MEGA
Michigan Jobs Commission Director, or designee	DLEG Director, or designee	Serve as Chairperson of MEGA
DMB Director	DLEG Director, or designee	Michigan Strategic Fund board position
Governor appointee	DLEG Director, or designee	President of the Michigan Strategic Fund
Governor appointee	Treasury, State Treasurer	Serve as Vice-President of MSF
Elected by Committee	Governor	Designate Chairperson of the Qualifications Advisory Committee
DCD Director	DLEG Director, or designee	Position on the Governor's Workforce Commission
Abolished	Governor's Cabinet Directors, or assignees	Membership on the Interagency Council on Spanish-Speaking Affairs
DCD Director	DLEG Director, or designee	Position on the Center for Education Performance and Information Advisory Committee
DCD Director	DLEG Director, or designee	Position on the Michigan Merit Award Board
CIS Director	DCH Director	Member and Chairperson of the Advisory Committee on Pain and Symptom Management
Michigan Jobs Commission, CEO, or designee	DLEG Director, or designee	Membership on the Brownfield Redevelopment Board. Director to serve as Chairperson.