

FY 2013-14: DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
Summary: Senate Passed
Senate Bill 190 (S-1)



Analyst: Paul Holland

	FY 2012-13 YTD as of 2/7/13	FY 2013-14 Revised Executive	FY 2013-14 House	FY 2013-14 Senate	FY 2013-14 Enacted	Difference: Senate From FY 2012-13 YTD	
						Amount	%
IDG/IDT	\$13,496,900	\$14,228,200	\$13,221,900	\$14,228,200		\$731,300	5.4
Federal	268,708,300	195,560,000	191,887,800	195,560,000		(73,148,300)	(27.2)
Local	659,900	656,500	656,500	656,500		(3,400)	(0.5)
Private	2,011,800	2,011,800	2,011,800	2,011,800		0	0.0
Restricted	324,079,700	258,540,000	316,312,800	259,957,300		(64,122,400)	(19.8)
GF/GP	36,945,200	23,804,900	37,839,900	22,864,600		(14,080,600)	(38.1)
Gross	\$645,901,800	\$494,801,400	\$561,930,700	\$495,278,400		(\$150,623,400)	(23.3)
FTEs	3,767.3	2,977.5	3,210.3	2,977.5		(789.8)	(21.0)

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) Executive information in this document includes changes made by Executive Budget Revision 2014-2. (4) House information in this document reference Article XIII of House Bill 4328 as passed by the House.

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, commercial and occupational, construction and fire safety, healthcare, public utility, and liquor regulation; 2) Employment Security and Workplace Safety, which administers unemployment insurance, worker's 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.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 Senate Change
1. Decreases for the UIA due to Reduced Federal Grants	FTE	1,262.7	(402.0)
Executive 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. <u>House</u> concurs. <u>Senate</u> concurs.	Gross	\$153,814,400	(\$37,161,900)
	Federal	148,999,700	(37,161,900)
	Restricted	4,814,700	0
2. Transfer of Storage Tank Programs from DEQ	FTE	N/A	35.0
Executive 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). <u>House</u> concurs. <u>Senate</u> concurs.	Gross	N/A	\$4,393,100
	Federal	N/A	1,255,300
	Restricted	N/A	3,137,800
3. Eliminate FY 2012-13 One-Time Appropriations	Gross	\$4,532,200	(\$4,532,200)
Executive eliminates FY 2012-13 one-time appropriations for state employee lump-sum payments. <u>House</u> concurs. <u>Senate</u> concurs.	IDG	163,500	(163,500)
	Federal	2,316,400	(2,316,400)
	Restricted	1,874,800	(1,874,800)
	GF/GP	\$177,500	(\$177,500)

		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 Senate Change
Major Budget Changes From FY 2012-13 YTD Appropriations			
4. Eliminate "Right to Work" Appropriations	FTE	21.0	0.0
<u>Executive</u> 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. <u>House</u> concurs. <u>Senate</u> concurs.	Gross	\$5,984,500	(\$2,000,000)
	Restricted	3,984,500	0
	GF/GP	\$2,000,000	(\$2,000,000)
5. Eliminate LCC IT Upgrades	Gross	\$2,000,000	(\$2,000,000)
<u>Executive</u> 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. <u>House</u> does not concur. <u>Senate</u> concurs.	Restricted	2,000,000	(2,000,000)
6. Increase Survey and Remonumentation Grants	Gross	\$5,300,000	\$2,000,000
<u>Executive</u> 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. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	5,300,000	2,000,000
7. Decrease Rent for UIA Detroit Offices	Gross	\$8,612,600	(\$900,000)
<u>Executive</u> 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. <u>House</u> concurs. <u>Senate</u> concurs.	Federal	4,022,800	(900,000)
	Local	127,500	0
	Restricted	4,442,500	0
	GF/GP	\$19,800	\$0
8. Increase Liquor Law Enforcement Grants	Gross	\$6,600,000	\$600,000
<u>Executive</u> 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. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	6,600,000	600,000
9. Increase IT Services and Projects to DTMB	Gross	\$42,216,100	\$443,300
<u>Executive</u> 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. <u>House</u> concurs. <u>Senate</u> concurs.	Federal	23,019,700	221,400
	Restricted	19,131,200	221,900
	GF/GP	\$65,200	\$0
10. Targeted Increases in Unclassified Salaries for MAHS	FTE	57.5	0.0
<u>Executive</u> 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 (\$176,300 Gross, \$0 GF/GP). <u>House</u> does not concur. <u>Senate</u> concurs.	Gross	\$4,595,900	\$176,300
	Federal	944,400	28,200
	Restricted	3,551,500	148,100
	GF/GP	\$100,000	\$0
11. Transfer of Prevailing Wage Functions from MSF	FTE	31.0	1.0
<u>Executive</u> 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). <u>House</u> concurs. <u>Senate</u> concurs.	Gross	\$3,388,300	\$132,300
	Restricted	3,388,300	0
	GF/GP	\$0	\$132,300
12. Align MAHS Spending Authorization and FTEs	FTE	231.4	(2.0)
<u>Executive</u> 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). <u>House</u> concurs. <u>Senate</u> concurs.	Gross	\$35,418,100	(\$111,500)
	IDG	13,233,400	(111,500)
	Federal	8,531,000	0
	Restricted	12,641,000	0
	GF/GP	\$1,012,700	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 Year-to-Date (as of 2/7/13)</u>	<u>FY 2013-14 Senate Change</u>
13. Decrease Excess Spending Authorization	Gross	\$216,276,900	(\$44,800,000)
<u>Executive</u> decreases spending authorization within several line items from various fund sources to more accurately reflect available revenues. <u>House</u> concurs. <u>Senate</u> concurs.	Federal	183,050,700	(36,500,000)
	Restricted	33,226,200	(8,300,000)
14. Rebasings of FTE Positions	FTE	1,875.7	(74.8)
<u>Executive</u> increases and decreases FTE positions within several line items, resulting in a net decrease of 74.8, to more accurately reflect actual staffing levels. <u>House</u> concurs in part, but rejects increases of 16.2 FTE positions. <u>Senate</u> concurs.			
15. Offset for Veteran Fee Exemptions	Gross	\$3,700,000	\$0
<u>Executive</u> 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). <u>House</u> concurs. <u>Senate</u> concurs in part, but rejects GF/GP offset of \$940,300 within the Wage and Hour Division.	Restricted	3,700,000	(2,759,700)
	GF/GP	\$0	\$2,759,700
16. Various Fund Shifts	Gross	\$12,558,100	\$0
<u>Executive</u> 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. <u>House</u> concurs in part, but does not include fund shifts within the Executive Revision 2014-2 and does include additional net zero fund shifts. <u>Senate</u> concurs.	Federal	1,792,000	(188,100)
	Local	3,400	(3,400)
	Restricted	10,762,700	191,500
17. Economics Adjustments	FTE	N/A	0.0
<u>Executive</u> increases and decreases spending authorization, resulting in a net increase of \$11.8 million, for negotiated salary and wage increases, insurance rates, actuarially-required retirement benefit rates, other postemployment benefits prefunding, workers' compensation costs, building occupancy costs and rent, and other incidental economic adjustments within LARA. <u>House</u> concurs in part, but rejects \$13.6 in spending authorization increases for economics adjustments and decreases FTE positions within several line items to support increases resultant from FY 2013-14 economics adjustments, not otherwise financially supported, by reducing department staffing costs. <u>Senate</u> concurs.	Gross	N/A	\$11,765,100
	IDG	N/A	1,006,300
	Federal	N/A	4,413,200
	Restricted	N/A	6,140,700
	GF/GP	N/A	\$204,900
18. Replace State Restricted Revenue for ORR with GF/GP from WCA	Gross	\$954,000	\$0
<u>Executive</u> eliminates state restricted revenue spending authorization for the Office of Regulatory Reinvention (ORR) and replaces it with GF/GP spending authorization offset with an equivalent reduction of GF/GP spending authorization for the Worker's Compensation Agency (WCA). <u>House</u> does not concur. <u>Senate</u> concurs in part, but includes an equivalent increase in state restricted revenue spending authorization for the WCA to offset the reduction in GF/GP spending authorization.	Restricted	477,000	0
	GF/GP	\$477,000	\$0
19. Transfer OFIR Appropriations to DIFS	FTE	347.0	(347.0)
<u>Executive</u> transfers spending authorization and FTEs for the former Office of Financial and Insurance Regulation (OFIR) to the Department of Insurance and Financial Services (DIFS) created by Executive Order 2013-1. <u>Executive</u> transfers spending authorization and FTEs equivalent to the FY 2013-14 Executive Recommendation for OFIR (including overhead charges for departmental administration, rent, property management, worker's compensation, administrative hearings, and IT projects and services). <u>House</u> does not concur. <u>Senate</u> concurs.	Gross	\$63,627,900	(\$63,627,900)
	Federal	2,000,000	(2,000,000)
	Restricted	61,627,900	(61,627,900)

		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 Senate Change
Major Budget Changes From FY 2012-13 YTD Appropriations			
20. Transfer Autism Coverage Reimbursement Program to DIFS	Gross	\$15,000,000	(\$15,000,000)
<u>Executive</u> transfers spending authorization for the Autism Coverage Reimbursement Program to the Department of Insurance and Financial Services (DIFS) created by Executive Order 2013-1. <u>Executive</u> transfers spending authorization equivalent to the FY 2013-14 Executive Recommendation for the ACRP. <u>House</u> does not concur. <u>Senate</u> concurs.	GF/GP	\$15,000,000	(\$15,000,000)
21. Decrease OFIR Spending Authorization	FTE	120.0	0.0
<u>House</u> decreases spending authorization for the Regulatory Compliance and Consumer Assistance line item under the Office of Financial and Insurance Regulation (OFIR) (\$500,000 Gross, \$0 GF/GP) which would have supported additional FTE positions recommended by the <u>Executive</u> . <u>Senate</u> does not concur.	Gross	\$19,684,400	\$0
	Federal	2,000,000	0
	Restricted	17,684,400	0
22. Include Fireworks Safety Grants	Gross	\$0	\$0
<u>House</u> includes spending authorization for fireworks safety grants to local units of government (\$1.0 million Gross, \$0 GF/GP) to defray inspections costs associated with the enforcement of the Michigan Fireworks Safety Act of 2011. These grants are supported by the Fireworks Safety Fund in which consumer fireworks certification and retail fireworks safety fees are deposited. <u>Senate</u> does not concur.	Restricted	0	0
23. Decrease GF/GP Appropriations	Gross	\$19,074,100	\$0
<u>House</u> decreases GF/GP spending authorization within several line items by approximately 5.0% of their FY 2012-13 YTD GF/GP appropriations, resulting in a reduction of \$872,500 GF/GP. <u>Senate</u> does not concur.	GF/GP	\$19,074,100	\$0
24. Increase Grants for Blind Persons	Gross	\$693,600	\$0
<u>House</u> increases spending authorization for grants administered by the Bureau of Services for Blind Persons (BSBP) to regional or subregional public libraries serving blind and disabled individuals (\$97,200 GF/GP) and to visually-impaired individuals under 26 referred by their intermediate school district for optometric exams eye glasses and other low-vision devices worn on the head (\$91,700 GF/GP), increase spending authorization offset with equivalent reduction of GF/GP within the BSBP line item (See # 23). <u>Senate</u> does not concur.	GF/GP	\$693,600	\$0

Major Boilerplate Changes From FY 2012-13

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

Sec. 203. Definitions – RETAINED

Defines various terms and abbreviations used in the bill. Executive eliminates particular definitions. House concurs. Senate does not concur.

Sec. 206. (fmr Sec. 223.) Contingency Funds – REVISED

Appropriates federal, state restricted, local, and private contingency funds to LARA, subject to the Management and Budget Act of 1984. Executive reduces federal contingency funds from \$45.0 million to \$20.0 million. House concurs. Senate reduces federal to \$19.0 million, state restricted from \$31.0 million to \$25.0 million, local from \$8.0 million to \$7.8 million, and private from \$600,000 to \$400,000.

Sec. 230a. 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. Executive creates. House concurs. Senate concurs.

Sec. 232. Television Productions – REVISED

Prohibits LARA from developing or producing any television productions. Executive eliminates. House revises language without substantive effect. Senate adds radio productions to prohibition.

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. Executive eliminates. House concurs. Senate concurs.

Sec. 240. Filled FTE Report

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 during the preceding fiscal year. House creates. Senate does not concur.

Major Boilerplate Changes From FY 2012-13

Sec. 250. OPEB Prefunding

Stipulates that the Legislature intends that LARA continues the prefunding of other postemployment benefits (OPEB) pursuant to 2011 PA 264. House creates. Senate does not concur.

Sec. 305. Fireworks Safety Grants

Stipulates that the Legislature intends that LARA expends \$1.0 million in fireworks safety grants to local units of government, requires local units of government to submit a report to LARA indicating the annual costs of inspections and enforcement activities associated with the Fireworks Safety Act of 2011, and requires LARA to submit a report providing information pertaining to the amounts of fireworks safety grants awarded to local units of government. House creates. Senate does not concur.

Sec. 320. Licensing and Regulation Fees Carryforward – RETAINED

Permits LARA to carryforwards licensing and regulation fees collected by the Corporations, Securities, and Commercial Licensing Bureau in excess of expenditures into future fiscal years. House eliminates. Senate does not concur.

Sec. 325. Veteran Fee Exemption Report

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. House creates. Senate does not concur.

Sec. 332. UI Computer System Report – REVISED

Requires LARA to provide quarterly status reports pertaining to the UIA Integrated System IT Project. Senate includes language requiring reports only until the project is complete. House does not concur.

Sec. 333. UI Internet Claims Report – REVISED

Requires LARA to provide quarterly reports pertaining to the percentage of claimants using the internet MARVIN system to certify and receive UI benefits and implement improvement to the system to reach a goal of 50.0% of claimants certifying on the system. Executive eliminates. House increases goal to 80.0% of claimants certifying on the internet system. Senate expands reporting requirement to include "any application developed for that purpose" and goal to include "systems that reduces staff face time and MARVIN telephone system usage".

Sec. 342. Training Grant to Mining Industry – DELETED

Requires LARA to allocate not less than \$80,000 of MIOSHA CET grants to nonprofit organizations representing the mining industry. Executive eliminates. House concurs. Senate concurs.

Sec. 375. Securities Fees Carryforward

Permits LARA to carryforwards unexpended securities fees collected by the Corporations, Securities, and Commercial Licensing Bureau into future fiscal years. House creates. Senate does not concur.

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%. Executive eliminates. House concurs. Senate concurs.

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. Executive eliminates. House concurs. Senate concurs.

Sec. 611. Vocational Rehabilitation Matching Funds – RETAINED

Requires the MRS and BSBP work collaboratively with service organizations and governments to identify match dollars and maximize federal vocational rehabilitation funds. Executive eliminates. House concurs. Senate does not concur.

Sec. 615. Library Services for the Blind and Physically Handicapped – DELETED

Stipulates that LARA may enter into agreements to provide library services, equipment, and facilities to various public and private entities and charge reasonable fees which are appropriated. Senate eliminates. House does not concur.

Sec. 728. Medical Marijuana Registry Cards Report and Grants to County Law Enforcement – NEW

Requires LARA to provide a report pertaining to the number of Medical Marijuana Registry Cards issued or renewed in each county. Also stipulates that LARA may expend up to \$3.0 million in grants to county law enforcement departments and must provide a report pertaining to the amounts, recipient, and uses of the grants. Senate creates. House does not concur.

Sec. 731. Bureau of Health Systems Regulatory Costs and Fee Report – REVISED

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. Executive eliminates. House concurs. Senate requires an updated report based on previous report.

Major Boilerplate Changes From FY 2012-13

Sec. 735. Health Systems and Radiological Health Revenue Carryforward – NEW

Permits LARA to carryforward excess revenue collections for the Health Systems Administration or Radiological Health Administration. Executive creates. House concurs. Senate concurs.

Sec. 1202. Normal Retirement Costs and Legacy Retirement Costs – NEW

States that it is the intent of the Legislature that LARA identifies the amounts for normal retirement costs and legacy retirement costs for fiscal year 2014-15. Senate creates. House does not concur.

Various Sections Eliminated by Executive, Retained by House

Executive eliminates sections 202, 208, 209, 211, 212, 214, 215, 217, 219, 230, 232, 332, 333, 340, 341, 368, 390, 391, 714, 726, 732, 801, and 802. House does not concur. Senate concurs in part, eliminating sections 211, 214, 219, 230, 340, 341, 391, 714, 801, and 802.