

**FY 2013-14: LICENSING AND REGULATORY AFFAIRS**  
**Summary: As Reported by House Subcommittee**  
**House Bill 4223 (H-1) Draft 2**



**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: House From FY 2012-13 YTD	
						Amount	%
<b>IDG/IDT</b>	\$13,496,900	\$14,228,200	\$13,221,900			(\$275,000)	(2.0)
<b>Federal</b>	268,708,300	197,470,000	191,887,800			(76,820,500)	(28.6)
<b>Local</b>	659,900	656,500	656,500			(3,400)	(0.5)
<b>Private</b>	2,011,800	2,011,800	2,011,800			0	0.0
<b>Restricted</b>	324,079,700	320,734,900	316,312,800			(7,766,900)	(2.4)
<b>GF/GP</b>	36,945,200	38,804,900	37,839,900			894,700	2.4
<b>Gross</b>	<b>\$645,901,800</b>	<b>\$573,906,300</b>	<b>\$561,930,700</b>			<b>(\$83,971,100)</b>	<b>(13.0)</b>
<b>FTEs</b>	3,767.3	3,324.5	3,210.3			(557.0)	(14.8)

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".

**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.

**Major Budget Changes From FY 2012-13 YTD Appropriations**

**1. Decreases for the UIA due to Reduced Federal Grants**

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. House concurs.

	FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change
FTE	1,262.7	(402.0)
<b>Gross</b>	<b>\$153,814,400</b>	<b>(\$37,161,900)</b>
Federal	148,999,700	(37,161,900)
Restricted	4,814,700	0

**2. Transfer of Storage Tank Programs from DEQ**

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). House concurs.

FTE	N/A	35.0
<b>Gross</b>	<b>N/A</b>	<b>\$4,393,100</b>
Federal	N/A	1,255,300
Restricted	N/A	3,137,800

**3. Eliminate FY 2012-13 One-Time Appropriations**

Executive eliminates FY 2012-13 one-time appropriations for state employee lump-sum payments. House concurs.

<b>Gross</b>	<b>\$4,532,200</b>	<b>(\$4,532,200)</b>
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)

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		<b>FY 2012-13 Year-to-Date (as of 2/7/13)</b>	<b>FY 2013-14 House Change</b>
<b>4. Eliminate "Right to Work" Appropriations</b>			
<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.			
	FTE	21.0	0.0
	<b>Gross</b>	<b>\$5,984,500</b>	<b>(\$2,000,000)</b>
	Restricted	3,984,500	0
	GF/GP	\$2,000,000	(\$2,000,000)
<b>5. Eliminate LCC IT Upgrades</b>			
<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> rejects.			
	<b>Gross</b>	<b>\$2,000,000</b>	<b>\$0</b>
	Restricted	2,000,000	0
<b>6. Increase Survey and Remonumentation Grants</b>			
<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.			
	<b>Gross</b>	<b>\$5,300,000</b>	<b>\$2,000,000</b>
	Restricted	5,300,000	2,000,000
<b>7. Decrease Rent for UIA Detroit Offices</b>			
<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.			
	<b>Gross</b>	<b>\$8,612,600</b>	<b>(\$900,000)</b>
	Federal	4,022,800	(900,000)
	Local	127,500	0
	Restricted	4,442,500	0
	GF/GP	\$19,800	\$0
<b>8. Increase Liquor Law Enforcement Grants</b>			
<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.			
	<b>Gross</b>	<b>\$6,600,000</b>	<b>\$600,000</b>
	Restricted	6,600,000	600,000
<b>9. Increase IT Services and Projects to DTMB</b>			
<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.			
	<b>Gross</b>	<b>\$42,216,100</b>	<b>\$443,300</b>
	Federal	23,019,700	221,400
	Restricted	19,131,200	221,900
	GF/GP	\$65,200	\$0
<b>10. Targeted Increases in Unclassified Salaries for MAHS</b>			
<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> rejects.			
	FTE	57.5	0.0
	<b>Gross</b>	<b>\$4,595,900</b>	<b>\$0</b>
	Federal	944,400	0
	Restricted	3,551,500	0
	GF/GP	\$100,000	\$0
<b>11. Transfer of Prevailing Wage Functions from MSF</b>			
<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.			
	FTE	31.0	1.0
	<b>Gross</b>	<b>\$3,388,300</b>	<b>\$132,300</b>
	Restricted	3,388,300	0
	GF/GP	\$0	\$132,300
<b>12. Align MAHS Spending Authorization and FTEs</b>			
<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.			
	FTE	231.4	(2.0)
	<b>Gross</b>	<b>\$35,418,100</b>	<b>(\$111,500)</b>
	IDG	13,233,400	(111,500)
	Federal	8,531,000	0
	Restricted	12,641,000	0
	GF/GP	\$1,012,700	\$0

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 House Change	
<b>13. Decrease Excess Spending Authorization</b>		<b>Gross</b>	<b>\$216,276,900</b>	<b>(\$44,800,000)</b>
<u>Executive</u> decreases spending authorization within several line items from various fund sources to more accurately reflect available revenues. <u>House</u> concurs.	Federal	183,050,700	(36,500,000)	
	Restricted	33,226,200	(8,300,000)	
<b>14. Rebased of FTE Positions</b>		FTE	1,875.7	(91.0)
<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.				
<b>15. Offset for Veteran Fee Exemptions</b>		<b>Gross</b>	<b>\$3,700,000</b>	<b>\$0</b>
<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.	Restricted	3,700,000	(3,700,000)	
	GF/GP	\$0	\$3,700,000	
<b>16. Various Fund Shifts</b>		<b>Gross</b>	<b>\$11,121,400</b>	<b>\$0</b>
<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 and makes additional net zero fund shifts.	Federal	1,777,000	(278,100)	
	Local	3,400	(3,400)	
	Restricted	9,341,000	281,500	
<b>17. Economics Adjustments</b>		FTE	N/A	(98.0)
<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. Additionally, <u>House</u> 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.	<b>Gross</b>	<b>N/A</b>	<b>(\$1,856,000)</b>	
	Federal	N/A	(1,140,800)	
	Restricted	N/A	(633,300)	
	GF/GP	N/A	(\$81,900)	
<b>18. Decrease OFIR Spending Authorization</b>		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) which would have supported additional FTE positions recommended by the <u>Executive</u> .	<b>Gross</b>	<b>\$19,684,400</b>	<b>(\$500,000)</b>	
	Federal	2,000,000	0	
	Restricted	17,684,400	(500,000)	
<b>19. Include Fireworks Safety Grants</b>		<b>Gross</b>	<b>\$0</b>	<b>\$1,000,000</b>
<u>House</u> includes spending authorization for fireworks safety grants to local units of government 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.	Restricted	0	1,000,000	
<b>20. Decrease GF/GP Appropriations</b>		<b>Gross</b>	<b>\$19,074,100</b>	<b>(\$872,500)</b>
<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.	GF/GP	\$19,074,100	(\$872,500)	
<b>21. Increase Grants for the Blind</b>		<b>Gross</b>	<b>\$693,600</b>	<b>\$194,300</b>
<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 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, increase spending authorization offset with equivalent reduction of GF/GP within the BSBP line item.	GF/GP	\$693,600	\$194,300	

## **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, House concurs.

### **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.

### **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.

### **Sec. 232. LARA Video Productions – REVISED**

Prohibits LARA from developing or producing any television productions. Executive eliminates, House revises language without substantive effect.

### **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.

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

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.

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

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

### **Sec. 305. Fireworks Safety Grants – NEW**

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.

### **Sec. 320. Licensing and Regulation Fees Carryforward – DELETED**

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.

### **Sec. 325. Veteran Fee Exemption Report – NEW**

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.

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

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 50.0% of claimants certifying on the system. Executive eliminates, House revises by increases goal to 80.0% of claimants certifying on the internet system.

### **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. House eliminates.

### **Sec. 375. Securities Fees Carryforward – NEW**

Permits LARA to carryforwards unexpended securities fees collected by the Corporations, Securities, and Commercial Licensing Bureau into future fiscal years. House creates.

### **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.

### **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.

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

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.

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

#### ***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. Executive eliminates, House concurs.

#### ***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.

#### ***Various Sections Deleted by Executive, Retained by House***

Executive eliminates Sections 202, 208, 209, 211, 212, 214, 215, 217, 219, 230, 232, 332, 333, 340, 341, 342, 368, 390, 714, 726, 732; House rejects.